

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1189930-1

Total Deleted Page(s) = 32

Page 119 ~ Duplicate;
Page 126 ~ Duplicate;
Page 128 ~ b6; b7C; b7D;
Page 129 ~ b6; b7C; b7D;
Page 130 ~ b6; b7C; b7D;
Page 133 ~ b7D;
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Page 136 ~ b6; b7C; b7D;
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Page 236 ~ b6; b7C; b7D;
Page 239 ~ b6; b7C; b7D;
Page 242 ~ Duplicate;

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XXXXXXXXXXXXXXXXXXXXXXXXX
X   Deleted Page(s)     X
X   No Duplication Fee  X
X   For this Page       X
XXXXXXXXXXXXXXXXXXXXXXXXX
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Request:

1) Call [redacted]

Advise PX Agent will interview him

2) Set lead at Glendale, Arizona to interview [redacted] Determine if we have a violation in the U.S. Enclose copy of this teletype, *AT*

196A-4834-1

SEARCHED	INDEXED
SERIALIZED	FILED
MAY 06 1987	
FBI - LOS ANGELES	

[redacted]

3) For information -

Send copies of this communication

to PX - to

196A-4677 C/O

196A-4137 C/O



} Santa Ana RA

AT

(Cont. ↓)

b6
b7C

FORMS.TEXT HAS 1 DOCUMENT

INBOX.1 (#2747)

TEXT:
VZCZCHQO

R 131315Z FEB 87

FM PARIS (196-0)

TO DIRECTOR FBI ROUTINE

TO LOS ANGELES ROUTINE

TO ANCHORAGE ROUTINE

TO PHOENIX ROUTINE

BT

UNCLAS

COMMERCIAL ACCEPTANCE CORPORATION; FBW - INTERNATIONAL FRAUD.

FOR INFORMATION OF RECEIVING OFFICES ON 2/12/87, LEGAT,

PARIS WAS VISITED BY [REDACTED]

[REDACTED] ADVISED HE WAS [REDACTED]

FEB 22 8 18 PM '87

TELETYPE ROOM

NOT IDENTICAL

b6
b7C

Review this - See
if it should go into
196B-4571 - see P.3.

b6
b7C
b7D

1751 (9-85)

100-467-1

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 11 1987	
FBI - LOS ANGELES	

[REDACTED]

TELETYPE

b6
b7C

PAGE TWO

PAR 196-0

UNCLAS

b6
b7C
b7D

12A-61-4758P2(4-86)
29A-0-1751(9-85)
146A-3094-50(10-85)
153-7772-0-77

b6
b7C
b7D

THEY ADVISED ELLSWORTH

HAD GONE TO LUXEMBOURG TO SET UP A REINSURANCE COMPANY WHICH
NEEDED TO BE CAPITALIZED. THE COMPANY WAS SET UP IN LUXEMBOURG

PAGE THREE PAR 196-0 UNCLAS

BECAUSE OF HIGH LEVERAGE CAPABILITY.

b6
b7C
b7D

4677* (2-87)

11* (281)

(264) 81-2591 (117) 117523* (1-4)

1-25886* (2-67)

26-39673* 89-27061* (12-7)

TO DISCOVER "BUSICORP"

HAD BEEN LIQUIDATED. HE WAS TOLD IN LUXEMBOURG THIS WAS

POSSIBLE BECAUSE THE SHARES HAD BEEN ISSUED AS BEARER BONDS.

IS ALSO CONCERNED BECAUSE HE BELIEVES

2000 4062* (2-87)

b6
b7C
b7D

PAGE FOUR PAR 196-0 UNCLAS

IT IS DIFFICULT FOR US TO SORT THIS ALL OUT HERE AND
AS [REDACTED] IS RETURNING TO LOS ANGELES, LEGAT RECOMMENDED
TO [REDACTED] TO CONTACT FBI, LOS ANGELES DIRECTLY
UPON THEIR RETURN. LOS ANGELES AND ANCHORAGE ARE REQUESTED
TO NOTIFY LEGAT, PARIS IF THEY HAVE ANY INFORMATION
CONCERNING THE FOREGOING COMPANY AND INDIVIDUALS. ALSQ,
LOS ANGELES IS REQUESTED TO NOTIFY LEGAT, PARIS IF THERE IS
A PARTICULAR AGENT OR SQUAD, [REDACTED] SHOULD CONTACT
IN LOS ANGELES, AS THEY INDICATED THEY MAY BE BACK IN
CONTACT WITH THIS OFFICE.

b6
b7C
b7D

BT

NNNN

Date

11-27-87

Title and Character of Case

JOHN ELLSWORTH;
ET;AL,
IBA COMMERCIAL ACCEPTANCE CO.

Date Property Acquired 11-24-87		Source From Which Property Acquired C.M.	
Location of Property or Bulky Exhibit XX ELSUR ROOM		Reason for Retention of Property and Efforts Made to Dispose of Same EVIDENCE	
To Be Returned <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	See Serial	Agent Submitting Property or Exhibit [REDACTED]	Agent Assigned Case [REDACTED]
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.			

b6
b7C
b7D

Description of Property or Exhibit

CONSENTUAL MONITORING TAPE OF [REDACTED] WITH ELLSWORTH, [REDACTED]

For Valuable and/or Narcotics Evidence Only	
Evidence Bag Seal # _____	Signature of Two Special Agents Verifying and Sealing Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

_____	_____	_____
_____	_____	_____
_____	_____	_____

Field File # 196A-4834-1B1

OO: LOS ANGELES

ORIGINAL (FILE COPY)

BLOCK STAMP	
196A-4834-1B1	
SEARCHED	INDEXED
SERIALIZED	FILED
NOV 27 1987	
FBI-LOS ANGELES	

Date 11-27-87
XXXXXXX

Title and Character of Case

[REDACTED] aka;

ETC;
FBW;MF;ITSP;CONSPIRACY;CSCS;
OO:"LA"

b6
b7C
b7D

Date Property Acquired 11-17-87		Source From Which Property Acquired [REDACTED]	
Location of Property or Bulky Exhibit ELSUR ROOM		Reason for Retention of Property and Efforts Made to Dispose of Same EVIDENECE	
To Be Returned <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	See Serial	Agent Submitting Property or Exhibit [REDACTED]	Agent Assigned Case [REDACTED]
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.			

Description of Property or Exhibit

1- TAPE CONVERSATION BETWEEN [REDACTED]

For Valuable and/or Narcotics Evidence Only	Signature of Two Special Agents Verifying and Sealing Bag Contents	_____
Evidence Bag Seal # _____		_____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

_____	_____	_____
_____	_____	_____
_____	_____	_____

Field File # 196B-4973-1B2

OO: LOS ANGELES

ORIGINAL (FILE COPY)

BLOCK STAMP			
196B-4973-1B2			
SEARCHED _____	INDEXED _____		
SERIALIZED <i>[initials]</i>	FILED _____		
NOV 27 1987			
FBI-LOS ANGELES			

Date

1-4-88

Title and Character of Case

JOHN ELLSWORTH;
ET; AL,
IBA COMMERCIAL ACCEPTANCE CO. (CAC)
FBW, MF

Date Property Acquired

1-4-88

Source From Which Property Acquired

Location of Property or Bulky Exhibit

BULKY

Reason for Retention of Property and Efforts Made to Dispose of Same

EVIDENCE

b6
b7c

To Be Returned

☐ Yes ☒ No

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

BONDS FOR CAC.

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B2

OO: LA

ORIGINAL (FILE COPY)

196A-4834-1B2
BLOCK STAMP

SEARCHED	INDEXED
SERIALIZED	FILED
APR 8 1988	
FBI - LOS ANGELES	

Date

1-15-88

Title and Character of Case

Commercial Acceptance Corp. (CAC), etal
FBW, MF, ITSP

Date Property Acquired

1-15-88

Source From Which Property Acquired

Location of Property or Bulky Exhibit

Bulky

Reason for Retention of Property and Efforts Made to Dispose of Same

b6

b7C

Evidence

To Be Returned

☐ Yes ☒ No

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

Bank records and other documents at Busicorp/IRI

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B3

OO: LA

ORIGINAL (FILE COPY)

196A-4834-1B3

BLOCK STAMP	
SEARCHED	SERIALIZED <u>BRO</u>
JAN 5 1988	
FBI - LOS ANGELES	

Date

1/20/88

Title and Character of Case

Commercial Acceptance Corp (CAC)
etal
FBW, MF, ItSP

Date Property Acquired

1-20-88

Source From Which Property Acquired

Location of Property or Bulky Exhibit

Reason for Retention of Property and Efforts Made to Dispose of Same

Bulky Exhibits

Evidence

To Be Returned

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

☐ Yes ☒ No

☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

Copies of tape recordings of three meetings with subjects.

b6
b7C
b7D

Out to

b6
b7C

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1xB4

OO: LA

ORIGINAL (FILE COPY)

BLOCK STAMP

196A-4834-1B4

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 20 1987	
FBI - LOS ANGELES	

Date

1/29/88

Title and Character of Case

Commercial Acceptance Corp., etal
FBW,MF,ITSP

Date Property Acquired

1/29/88

Source From Which Property Acquired

Location of Property or Bulky Exhibit

Reason for Retention of Property and Efforts Made to Dispose of Same

Bulky

Evidence

To Be Returned

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

☐ Yes ☒ No

☐ Yes ☒ No

Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

Documents re Busicorp furnished from

b6

b7C

b7D

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal #

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B5

OO: LA

ORIGINAL (FILE COPY)

BLOCK STAMP

196A-4834-1B5

SEARCHED INDEXED
SERIALIZED FILED

JAN 9 1988

FBI - LOS ANGELES

Date
1-29-88

Title and Character of Case
Commercial Acceptance Corp., et al
FBW, MF, ITSP

Date Property Acquired 1/29/88	Source From Which Property Acquired <div></div>
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Location of Property or Bulky Exhibit Bulky	Reason for Retention of Property and Efforts Made to Dispose of Same Evidence
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To Be Returned <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	See Serial	Agent Submitting Property or Exhibit <div></div>	Agent Assigned Case <div></div>
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☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

~~Documents~~ Documents re investment with CAC.

For Valuable and/or Narcotics Evidence Only	
Evidence Bag Seal # _____	Signature of Two Special Agents Verifying and Sealing Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B86

OO: LA

BLOCK STAMP 196A-4834-1B6	
SEARCHED <i>Bno</i>	FILED <i>Bno</i>
JAN 29 1988	
FBI - LOS ANGELES	

ORIGINAL (FILE COPY)

b6
b7C
b7D

Date

2-8-88

Title and Character of Case

Commercial Acceptance Corp.
FBW, VIF
00:LA

Date Property Acquired

2-5-88

Source From Which Property Acquired

Location of Property or Bulky Exhibit

Bulky

Reason for Retention of Property and Efforts Made to Dispose of Same

Evidence

To Be Returned

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

☒ Yes ☐ No

☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

Tape

~~Tape recorded conversation of [redacted] and other with [redacted]~~

Tape

b6
b7C
b7D

Tape recorded conversation ~~wix~~ ~~ix~~ of [redacted] and ~~others~~ others with [redacted]

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B7

OO: LA

BLOCK STAMP

196A-4834-1B7
SEARCHED *B26* FILED _____
J 1988
FBI - LOS ANGELES

ORIGINAL (FILE COPY)

Date

4/29/88

Title and Character of Case

COMMERCIAL ACCEPTANCE CORP., etal
FBW; MF

Date Property Acquired

4/29/88

Source From Which Property Acquired

Location of Property or Bulky Exhibit

BULKY

EVIDENCE

To Be Returned

☐ Yes ☐ No

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

☒ Yes ☐ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

b3
b6
b7C

GRAND JURY MATERIAL
DISSEMINATED ONLY PURSUANT
TO RULE 6 (e), Fed., R. Crim. P.

(OUT TO 4/29/88)

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B8

OO: LA

BLOCK STAMP

196A-4834-1B8
SEARCHED INDEXED
SERIALIZED FILED

APR 29 1988

FBI-LOS ANGELES

ORIGINAL (FILE COPY)

Date

6/8/88

Title and Character of Case

COMMERCIAL ACCEPTANCE CORP.;
ETAL
MF; FBW; ITSP

Date Property Acquired

6/8/88

Source From Which Property Acquired

Location of Property or Bulky Exhibit

BULKY

Reason for Retention of Property and Efforts Made to Dispose of Same

EVIDENCE

To Be Returned

☐ Yes ☒ No

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

☒ Yes ☐ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

GRAND JURY MATERIAL
DISSEMINATE ONLY PURSUANT
TO RULE 6 (e), Fed.. R. Crim. P.

(out for [redacted] 6-8-88)
For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B9

OO: LA

ORIGINAL (FILE COPY)

BLOCK STAMP

196A-4834-1B9

SEARCHED	INDEXED
SERIALIZED	FILED
JUN 8 1987	
FBI-LOS ANGELES	

Date 6/16/88

Title and Character of Case COMMERCIAL ACCEPTANCE CORP., (CAC)
AKA; ETAL
FBW; MF;

Date Property Acquired 6/16/88 Source From Which Property Acquired FBIHQ

Location of Property or Bulky Exhibit BULKY Reason for Retention of Property and Efforts Made to Dispose of Same EVIDENCE

To Be Returned See Serial Agent Submitting Property or Exhibit Agent Assigned Case
☐ Yes ☒ No ☐ Yes ☒ No b6 b7C

☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit
TRANSLATIONS OF CAC DOCUMENTS

(OUT TO 6/16/88)

For Valuable and/or Narcotics Evidence Only
Evidence Bag Seal # _____ Signature of Two Special Agents Verifying and Sealing Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B10

OO: LA

ORIGINAL (FILE COPY)

BLOCK STAMP
196A-4834-1B10
SEARCHED INDEXED
SERIALIZED FILED
JUN 16 1987
FBI-LOS ANGELES

Date

1/10/89

Title and Character of Case
COMMERCIAL ACCEPTANCE CORP.
FBW;
MF;

Date Property Acquired 1/9/89	Source From Which Property Acquired <div></div>
----------------------------------	--

Location of Property or Bulky Exhibit BULKY	Reason for Retention of Property and Efforts Made to Dispose of Same EVIDENCE
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To Be Returned <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	See Serial	Agent Submitting Property or Exhibit <div></div>	Agent Assigned Case <div></div>	b6 b7C
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☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

DOCUMENTS RE ASSOCIATION WITH CAC AND JOHN ELLSWOTH.

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B11

OO: LA

ORIGINAL (FILE COPY)

BLOCK STAMP

196A-4834-1B11

SEARCHED	INDEXED
SERIALIZED	FILED
10	
FBI - LOS ANGELES	

Date
2/28/89

Title and Character of Case COMMERCIAL ACCEPTANCE CORP., et al
FBW; MF; ITSP

Date Property Acquired 2/28/89		Source From Which Property Acquired [REDACTED]	
Location of Property or Bulky Exhibit BULKY		Reason for Retention of Property and Efforts Made to Dispose of Same BULKY MATERIAL	
To Be Returned <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	See Serial	Agent Submitting Property or Exhibit [REDACTED]	Agent Assigned Case SAME
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.			
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Property to be Forfeited to the Government			

Description of Property or Exhibit

DOCUMENTS RE SAC LOAN AND JOHN ELLSWORTH.

(OUT TO [REDACTED] 2/28/89)

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B12

OO: LA

ORIGINAL (FILE COPY)

BLOCK STAMP

196A-4834-1B12

SEARCHED INDEXED
SERIALIZED FILED
FBI-LOS ANGELES

Date 3/8/89

Title and Character of Case

COMMERICAL ACCEPTANCE CORP.,
ET AL;
FBW, MF, ITSP

Date Property Acquired

3/8/89

Source From Which Property Acquired

Location of Property or Bulky Exhibit

BULKY

Reason for Retention of Property and Efforts Made to Dispose of Same

EVIDENCE

To Be Returned

☐ Yes ☒ No

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

DOCUMENTS RE CAL INSUREANCE FINISHED TO

BY

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4834-1B13

OO: LA

ORIGINAL (FILE COPY)

BLOCK STAMP

196A-4834-1B13

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 8 1989	
FBI - LOS ANGELES	

Date
4/27/89

Title and Character of Case

COMMERICAL ACCEPTANCE CORP., (CAC)
FBW: MF; itsp

Date Property Acquired 4/27/89	Source From Which Property Acquired <div></div>
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Location of Property or Bulky Exhibit	Reason for Retention of Property and Efforts Made to Dispose of Same
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BULKY

EVIDENCE

To Be Returned <input type="checkbox"/> Yes <input type="checkbox"/> No	See Serial	Agent Submitting Property or Exhibit <div></div>	Agent Assigned Case <div></div>
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b3
b6
b7C

☒ Yes ☐ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☐ No Property to be Forfeited to the Government

Description of Property or Exhibit

GRAND JURY MATERIAL
DISSEMINATE ONLY PURSUANT
TO RULE 6 (e), Fed., R. Crim. P.

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

_____	_____	_____
_____	_____	_____
_____	_____	_____

Field File # 196A-4834-1B14

OO: LA

ORIGINAL (FILE COPY)

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196A-4834-1B14			
SEARCHED	INDEXED	SERIALIZED	FILED
<i>hy</i>	<i>hy</i>	<i>hy</i>	<i>hy</i>
APR 27 1989			
FBI - LOS ANGELES			

Date
4/25/89

Title and Character of Case

aka;

ET AL
FBW(B); BF&E; ITSP

b3
b6
b7C

Date Property Acquired
4/25/89

Source From Which Property Acquired

Location of Property or Bulky Exhibit

Riverside RA

Reason for Retention of Property and Efforts Made to Dispose of Same

Store evidence

To Be Returned
☐ Yes ☒ No

See Serial

Agent Submitting Property or Exhibit

Agent Assigned Case

☒ Yes ☐ No Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

Description of Property or Exhibit

GRAND JURY MATERIAL
DISSEMINATE ONLY PURSUANT
TO RULE 6 (e), Fed., R. Crim. P.

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196B-3804-1B34

OO: Los Angeles

ORIGINAL (FILE COPY)

BLOCK STAMP			
196B-3804-1B34			
SEARCHED	INDEXED	SERIALIZED	FILED
<i>[initials]</i>	<i>[initials]</i>	<i>[initials]</i>	<i>[initials]</i>
APR 25 1989			
FBI - LOS ANGELES			

Bulky Exhibit - Inventory of Property Acquired as Evidence
FD-192 (Rev. 7-18-85)

Date
4/24/89

Title and Character of Case

[redacted] aka
ET AL;
FBW; MF;
OO: Los Angeles

b6
b7C

Date Property Acquired 4/21/89	Source From Which Property Acquired [redacted] Attorney SIDKOFF, PINCUS & GREEN, 530 Walnut Street, Philadelphia, PA.
-----------------------------------	---

Location of Property or Bulky Exhibit SARA	Reason for Retention of Property and Efforts Made to Dispose of Same BULKY
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To Be Returned <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	See Serial	Agent Submitting Property or Exhibit [redacted]	Agent Assigned Case [redacted]
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☐ Yes ☒ No Grand Jury Property - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure.

☐ Yes ☒ No Property to be Forfeited to the Government

Description of Property or Exhibit

1. Cover letter from [redacted] attorney for [redacted]
2. Copies of agreements, correspondence, and contracts between [redacted] AMERICAN REALTY GROUP, INC. and the following:

[redacted] EUROKREDIT, N.A.; [redacted] HUDSON BAY
GROUP; [redacted] SAUDI INTERNATIONAL INVEST
CORP LIMITED; and [redacted] UNITED KINGDOM LOANS AND
INSURANCE SERVICES LIMITED

For Valuable and/or Narcotics Evidence Only

Evidence Bag Seal # _____

Signature of Two
Special Agents
Verifying and Sealing
Bag Contents _____

SEMIANNUAL INVENTORY CERTIFICATION TO JUSTIFY RETENTION OF PROPERTY (Initial and Date)

Field File # 196A-4968-1B76

OO: LOS ANGELES

ORIGINAL (FILE COPY)

BLOCK STAMP			
196A-4968-1B76			
SEARCHED	SERIALIZED	INDEXED	FILED
APR 24 1989			
FBI - LOS ANGELES			

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ Airtel

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 5/22/87

TO: SAC, PHOENIX

FROM: SAC, LOS ANGELES (196A-4834) (WCC-1) (P)

RE: COMMERCIAL ACCEPTANCE CORPORATION
FBW

OO: Los Angeles

Enclosed for Phoenix is one copy of Legat, Paris teletype dated 2/13/87, captioned as above. A copy was designated for Phoenix by Legat, Paris.

Background information regarding captioned case contained in enclosed teletype.

LEADPHOENIX

AT [redacted] Contact [redacted]
[redacted] telephone [redacted] and
obtain details of his complaint and determine if any
violation of federal law exists.

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2 - Phoenix (Encls. 1)
④ - Los Angeles
(1 - 196A-4677)
(1 - 196A-4137)

(6)

196A-4834-2
SEARCHED

INDEXED

SERIALIZED

FILED

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Approve [redacted]

Transmitted

(Number)

(Time)

Per [redacted]

OFFICE COPY

Memorandum



To : SAC, LOS ANGELES (196A-4834) (WCC-1) (P)

Date 7/16/87

From : SA [REDACTED]

Subject: COMMERCIAL ACCEPTANCE CORP.;
FBW;
OO: Los Angeles

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A determination as to future investigation in captioned matter will not be effected until results of interview with [REDACTED] is received from the Phoenix Division.

[REDACTED]
(2)

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196A-4834.3

SEARCHED.....	INDEXED.....
SERIALIZED.....	FILED.....
JUL 17 1987	
FBI — LOS ANGELES	

[REDACTED]

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FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 8/19/87

[redacted]
[redacted] telephone [redacted] was interviewed. After being advised of the identity of the interviewing agent and the purpose of the interview, [redacted] provided the following information:

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[redacted] contacted the FBI and requested to be interviewed due to his involvement with [redacted]
[redacted]

[redacted] stated that [redacted]
[redacted]

Bonds financed by CAC have been insured by either BUSICORP of Luxembourg or IRI REINSURANCE FOR INTERNATIONAL BUSINESS LIMITED (IRI-RIBL) of Zurich. [redacted]
[redacted]

In early 1987, [redacted]
[redacted]
[redacted]
[redacted]

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According to [redacted] he became involved with [redacted]
[redacted]
[redacted]
[redacted]
[redacted]

[redacted] JOHN ELLSWORTH.

Investigation on 7/8/87 at [redacted] File # Phoenix 196A-1966
Los Angeles 196A-4834 4
by SA [redacted] Date dictated 7/9/87

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PX 196A-1966
LA 196A-4834

Continuation of FD-302 of [REDACTED], On 7/8/87, Page 2

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[REDACTED] stated that he had a limited amount of documentation [REDACTED] BUSICORP, CAC, and IRI-RIBL. He was willing to provide this information to the FBI upon request. Further, [REDACTED] stated that he would assist agents of the FBI in any way possible. He stated that he was not concerned at this time regarding criminal activity that might have been perpetrated against him but rather any and all criminal violations [REDACTED]

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[REDACTED] He believes that an investigation should be initiated into [REDACTED]
[REDACTED]

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 8/19/87

TO: SAC, LOS ANGELES (196A-4834)(WCC-1)

FROM: *[Signature]* SAC, PHOENIX (196A-1966) (RUC)

COMMERCIAL ACCEPTANCE CORPORATION

FBW

OO: LA

Re Los Angeles airtel dated 5/22/87; and Phoenix
telcal to Los Angeles, 7/10/87.

Enclosed for Los Angeles are the original and one
copy of an FD-302 reflecting interview of
and 1-A envelope containing interview notes.

2 - Los Angeles (Enc. 3)
1 - Phoenix

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Approved: _____ Transmitted _____ Per _____
(Number) (Time)

SEARCHED	INDEXED
SERIALIZED	FILED
AUG 23 1987	
FBI - LOS ANGELES	

w/encs.

Memorandum



To : SAC, LOS ANGELES (196A-4834) (WCC-1) (P) 10/2/87

From : SA [REDACTED]

Subject : COMMERCIAL ACCEPTANCE CORP.
FRW, MF, ITSP
OO: Los Angeles

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On 9/29/87, [REDACTED] was contacted and requested to furnish documents regarding [REDACTED] [REDACTED] indicated that Luxembourg is proceeding criminally against subject's European activities.

[REDACTED]
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196A-4834-6

SEARCHED	INDEXED
SERIALIZED	FILED
OCT 06 1987	
FBI — LOS ANGELES	

AT

October 22, 1987

Mr. [redacted]
FBI
17th Floor
11000 Wilshire Blvd.
Los Angeles, Ca. 90024

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Dear Mr. [redacted]

Recently [redacted] spoke to you regarding a possible fraud on the part of Commercial Acceptance Corporation. While he was out of town, an investors meeting was called. [redacted]
[redacted] The meeting was held on October 21 at the Hyatt on Century Blvd. Pursuant to that meeting, I am enclosing information which you may find helpful in your investigation.

The meeting was called by USTC, the trust company. CAC personnel were not in attendance but were represented by an attorney [redacted]
[redacted] The insurance company, Busicorp, was also represented by an attorney, [redacted] who had been retained as of October 16, 1987.

Enclosed is a recap of the current situation as provided by USTC. As you will see, the problem has been ongoing for sometime. However, the sections which I would especially refer you to are those regarding USTC's attempt to locate both Busicorp and IRI (see pages 4 & 5 of the enclosure). You will note that it appears Busicorp does not exist. The same is true for IRI.

[redacted] would disclose no information other than the fact that he was being paid. He would not disclose which person had hired him. He did promise to clarify the situation and advise noteholders within ten days of the date of the meeting.

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Of interest is the fact that a certain gentleman's name kept recurring throughout the discussion of insurance. Mr. Elsworth of a company called U.S. Coal (Cole). His existence was brought to light by an attorney representing a note holder. I am unsure of the spelling of the company name but supposedly it is registered in the U.S. [redacted] has been in constant contact with Mr. Elsworth. Mr. Elsworth suggested hiring Busicorp to CAC. Mr. Elsworth's U.S. offices are located 411 West 7th Street, Los Angeles, California 90014. These offices are on the floor above the CAC offices. Mr. Elsworth is also the recipient of a substantial loan from CAC. It also appears that Mr. Elsworth had something to do with the European sight drafts that were issued to USTC and returned for insufficient funds.

No one on the panel of attorney's representing USTC, CAC or Busicorp would discuss Mr. Elsworth or his connection with the problem in any detail.

It is also interesting to note tht USTC was 'expressly prohibited from authentication on new Notes after an event of default' (see page 4). A default was declared as of June 30, 1987. However, at least two persons attending could produce notes which had been issued and authenticated by USTC after the event of default. One of these persons was also issued notes by CAC for the same investment.

Another meeting has been called for November 4 at the Ballroom in the Hyatt. The meeting will commence at 10:00 A.M. At this time CAC hopefully will appear. Their attorney said they are in the process of setting up individual pool meetings beginning November 2. However, none of the approximately 250 people attending the meeting of the 21st had been notified of such a meeting.

While a great deal more transpired, the bottom line of the meeting of October 21 was that the CAC and Busicorp attorney's knew very little concerning payment of notes, the default situation or when the CAC officers would be available for comment.

I hope this is helpful in your investigation of CAC. Please note also that in [redacted] previous correspondence the indication of CAC address and telephone number is intended only for your information and should not be contrued as a carbon copy to CAC.

Thank you for your attention. Should you have any questions, please don't hesitate to contact me at my home [redacted] or my office [redacted] after November 2.

Best regards,

[redacted]

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Memorandum



To : SAC, LOS ANGELES (196A-4834) (WCC-1) (P)

Date 11/3/87

From : SA [REDACTED]

Subject: COMMERCIAL ACCEPTANCE CORPORATION;
FBW; MF;
OO: Los Angeles

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On 10/16/87, the writer contacted [REDACTED] Luxenburg, Belgium, telephone [REDACTED] is the attorney for [REDACTED] complainant in captioned case. [REDACTED] stated he will forward pertinent documents regarding the case to the FBI in Los Angeles.

[REDACTED]
(2)

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196A-4834-8

SEARCHED	INDEXED
SERIALIZED	FILED
NOV 08 1987	
FBI - LOS ANGELES	

[REDACTED]

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Law Offices of

12100 Wilshire Boulevard
Suite 650
Los Angeles, California 90025
213-207-4377

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October 20, 1987

To: Noteholders of Commercial Acceptance Corporation

This firm has been retained to represent Busicorp, Inc. and IRI-Reinsurance Inc. with regard to the investment pools of Commercial Acceptance Corporation (C.A.C.).

Busicorp, Inc. and IRI-Reinsurance Inc. have been called upon to remedy an apparent deficit of approximately \$1,600,000.00 resulting from a default by several borrowers in regards to one of the C.A.C. secured investment pools. Upon receipt of a formal claim and proof of loss, Busicorp, Inc. and IRI-Reinsurance Inc. will as expeditiously as possible process the claim in a manner consistent with the practices normally followed by this sureties and Insurance companies.

Regarding the pool currently in default, Busicorp, Inc. and IRI-Reinsurance Inc. are confident in C.A.C.'s ability to meet its on going obligations. We are informed that the Trustee, United Security Trust company, holds Deeds-of-Trust upon pledged collateral property valued in excess of \$3,000,000.00. We are also informed that the defaulting borrowers may have resolved their difficulties and will within the next 30 days will meet their obligations.

Busicorp, Inc. and IRI-Reinsurance Inc. believes that the Trustee, United Security Trust Company, has acted precipitately in making allegations concerning the C.A.C.'s investment pools. The theory advanced by the Trustee that a default in any pool constitutes an immediate, prima facie default of each and every such pool, is completely without merit, and, coupled with their refusal to "rollover" current investments into new pools, constitutes a unwarranted assault upon Commercial Acceptance Corporation, Busicorp, Inc. and IRI-Reinsurance Inc., and the Noteholders. Moreover the Trustees theory is not consistent with its previous and current operation of the pools.

In closing this statement, we wish to unequivocally reassure the C.A.C. Noteholders that, as Surety, Busicorp, Inc. and IRI-Reinsurance Inc. shall act to expedite payment of any and all legitimate claims.

Sincerely,

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CAC INVESTORS MEETING
October 21, 1987

Introduction

United Security Trust Co. ("USTC") has served as Trustee of certain Series of Insured Collateral Trust Notes issued by Commercial Acceptance Corp. ("CAC") since approximately July of 1985.

In its capacity as Trustee, and pursuant to the requirements of the Collateral Trust Agreement, USTC has performed the following duties:

- Received funds from investors and transferred monies to CAC in exchange for an equal amount of collateral as provided for in the Trust Agreement;
- Received funds from CAC to make interest payments to appropriate parties and principal payments when due for maturing notes; and
- Authenticated certificates to investors regarding their interest in the Notes.

In addition, USTC has maintained records on the various investors, their interests, interest amounts and principal amounts and proper due dates of same.

From mid year 1985 to June 30, 1987, our records indicate that timely principal and interest payments have been made to investors in the various Series for which we have served as Trustee.

Current Status

Relative to Series 681, 682, 1067C & 1067I all maturing on June 30, 1987, USTC did not receive sufficient funds to pay off all maturing investor interests. Of the total series of \$5,450,395.08, \$798,244.66 was provided by CAC to make a partial payment, \$3,045,081.52 was understood to represent rollovers to new Series and the balance \$1,607,068.90 represented defaulted payments.

Relative to Series 1097C & 1097I, 2097C & 2097I, UST1-C & UST1-I, 310/311 all maturing on September 30, 1987, USTC has received no funds from CAC or further directions. These Series total \$11,962,396.72.

Historical Outline

During the first week of July, the staff of USTC contacted CAC to determine what action CAC was taking to pay off outstanding investor interests. USTC was advised that there was a "temporary cash flow" problem and that funds were being raised from international sources.

The Trust Agreement provides USTC with broad discretionary authority to work with CAC and to resolve issues if it believes its actions to be in the best interests of the Noteholders.

At the same time USTC received "sight drafts" drawn on a European bank payable to CAC and endorsed over to USTC in the amounts of \$1,375,000.

The "sight drafts" were presented for payment and subsequently returned NSF to USTC on September 9th.

In the last week of July, USTC retained an independent accounting firm to interview the principal(s) of CAC and ask for a confirmation and understanding of the problems of delay in repayment of outstanding Notes.

Our representative was advised that a foreign investor had purchased 50% interest in a major borrower of CAC and that funds would be received by means of a "sight draft" in the near future. He was assured that all efforts to correct the situation and bring the outstanding series current were being pursued by CAC and that the bonding arrangement would pay off by August 30th.

Also during July USTC interviewed [redacted] the representative of the bonding company, who stated the following:

- IRI RE-Insurance for International Business, Ltd. ("IRI") is an insurance company with headquarters in Europe. The firm is privately held and was formed by several individuals from Europe and one U.S. investor. With its re-insurance business, IRI retained 10% of the policy liability that it underwrites. The role that IRI plays is similar to the "lead underwriter" of a bond offering.
- ESC, SA is a corporation that was established by the various insurance companies that participate in the re-insurance pool that IRI underwrites policies with. ESC had been retained by IRI to act as liaison between the various insurers and retains 10% of the policy's liability.
- All of the insurance companies in the pool are the equivalent of AAA rating.

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- The bonds are issued to cover the investors in the Series, not to cover CAC from default on the Notes. Each Series is bonded separately up to maximum of \$5 million with multiple bonds required for Series in excess of \$5 million.

On September 1st and 61 days after default, USTC made formal written demand on CAC for payment of all outstanding indebtedness and subsequently advised the bonding company in writing that certain Series were in default.

On September 3rd, a representative of a major borrower of CAC advised USTC in writing that a \$5,000,000 credit line would be set up on September 4th. Funds have not been received from this source.

On September 9th, the date that the sight drafts were returned NSF, USTC on behalf of the Trust retained independent counsel, Manatt, Phelps, Rothenberg & Phillips, to review the Trust Agreement further and advise USTC as to what action was necessary on behalf of the beneficiaries of the Trust and what responsibilities USTC must or should assume.

On the advice of counsel, USTC arranged a meeting with CAC and its counsel on September 14th to determine what action was being taken by CAC to cure the default and when the bonding companies would pay.

Subsequent to this meeting, numerous attempts were made by our counsel to obtain a definite payment commitment without success.

On the advice of counsel, USTC notified the initial holders of Notes in default as of June 30, 1987 and arranged to meet with them.

This meeting was held on September 30th with USTC's counsel meeting with attending investors and their counsel(s). CAC was invited to attend but did not.

At the meeting of investors it was agreed and recommended by our counsel that USTC notify all investors of the defaults. Letters announcing the default and scheduling a meeting date were mailed on October 5th.

On the advice of counsel, USTC made formal written demand on September 22nd for payment by the bonding company on behalf of the investors in the defaulted Series.

Counsel further advised USTC and CAC that under the Collateral Trust Agreement of June 17, 1985 USTC is expressly prohibited from authentication on new Notes after an event of default, a default on one Series is a default on each other Series, and collateral pledged on one Series is security for each other Series.

Other Considerations

During the last 45 days USTC has retained outside resources on behalf of the Trust to investigate the following:

* Research Regarding Insurance: Our counsel has made the following efforts with reference to the existence of available insurance.

- X - On October 13, the California Dept. of Insurance researched its records and found none reflecting the existence of "Busicorp" of Luxembourg or "IRI RE-Insurance for International Business Ltd." of Vaduz, Lichtenstein.
- On October 14, the licensing bureau of the State Dept. of Insurance was asked if any licensed 'surplus line broker' sold the policies which CAC says insures the collateral trust notes. They reported that the records are kept only by name of broker. However, they had never heard of any person whose names have been linked to the various re-insurance companies. They also never heard of Busicorp or IRI.
- X - On October 15, A. M. Best, an insurance rating company out of New Jersey which publishes an international edition (without rating the companies), checked its publication and two others published in Europe. None of these publications reflect the existence of Busicorp or IRI.
- On October 16, first contact was made with the Swiss law firm of Staehelin, Hafter, Jagmentti, Lutz & Partner. [redacted] of that firm was formally engaged on October 19 to make inquiries regarding the existence and financial condition of Busicorp, IRI and the re-insurance pool of "49 European insurance companies."
- Direct contact was made with a high ranking executive of Zurich S.A. Insurance Company who is currently researching records regarding whether in fact it is participating in any relevant insurance pool.

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Similarly, contact has been made with the American representatives of La Baloise (spelled "La Baloese S.A." on documents given to us by CAC) and Commercial Union Group G.B. of London, England. Follow-up efforts are in progress.

* Collateral Account: Our Collateral Trust Account files indicate as to the defaulted Series the following information:

- 86% is represented by real estate of which 3/4ths is located in Alaska and 1/10th in California;
- 14% is personal property, inventory, equipment and personal guarantees.

The total current default approximates \$13,569,464 and representations by CAC suggest that the collateral has a value of \$16,073,000.

Pursuant to the Master Collateral Trust Agreement USTC has not examined or investigated the validity authenticity or value of the Collateral and has relied on the truth and accuracy of representations made by CAC.

Recent Events

On Tuesday, October 13th USTC's counsel as Trustee [redacted] of Hatch & Parent, Santa Barbara) was advised by CAC's counsel that all outstanding Notes would be paid prior to the meeting of October 21st. This statement was confirmed back in writing by our counsel.

On Friday, October 16th the president of one of the largest borrowers of CAC and also the American contact for the bonding companies spoke with counsel for USTC and also stated that the Notes would be paid prior to October 21st.

On the advice of counsel, USTC has refused to authenticate any new Notes after August 19, 1987. We have evidence that CAC has issued new Notes without our signature.

On the advice of counsel, USTC has advised all CAC client borrowers of the "Event of Default" and directed borrowers to make principal and interest payments directly to USTC and not to CAC.

On the further advice of counsel, USTC will make formal written demand of CAC and the bonding company for funds to cure the default on Series maturing as of September 30, 1987.

An "Event of Default" has occurred and pursuant to the Collateral Trust Agreement, a majority in principal amount of Notes (by dollar investments) may direct the Trustee to institute proceedings and protect and enforce its rights in law or equity.

USTC has provided available information to the Noteholders to assist the Noteholders in their consideration of a necessary course of action.

[illegible]

INDICES SEARCHED:

MANUALLY *Jeff*

FOIMS *Jeff*

196A-4834-10

SEARCHED *JE* INDEXED *JE*
SERIALIZED *JE* FILED *JE*
OCT 10 1987
FBI - LOS ANGELES



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[REDACTED]

October 15, 1987

Re: Commercial Acceptance Corp.

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FBI
17th Floor
11000 Wilshire Blvd.
Los Angeles, Ca. 90024

[Handwritten signature]
1,2,1

Dear Sirs:

This letter is being sent pursuant to my telephone call and conversation with [REDACTED] on October 14, 1987.

In the year 1985 I was introduced to a company called Commercial Acceptance Corporation by way of a letter which included the names of a number of doctors and hospitals who had successfully invested money in their corporation. As the result of this solicitation I invested [REDACTED] in their company which matured in 1987. This note was paid off promptly. I again invested [REDACTED] which again matured in 1986 and was paid off promptly. As a result of the company's continued good performance I again invested in excess of [REDACTED] in their company in funds that will mature in 1988. On September 1986 I invested [REDACTED]

[REDACTED] and this note matured September 30, 1987. The company had been notified in August 1987 that I wished to have the entire interest and principal paid to me at maturity. The certificate for [REDACTED] was picked up at my home by [REDACTED] on 9.28.87 stating that it was necessary that they have that certificate in order to collect the amount due me. On October 2, 1987 a letter was mailed to me by [REDACTED] of Commercial Acceptance stating that they were being falsely accused by United Security Trust of defaulting on their loans. I spoke to [REDACTED] on 10.6.87 and was reassured by him that this did not involve any of my notes.

RLA-4677*
5/87

[REDACTED]

Page 2

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On October 5, 1987 I was advised by United Security Trust of further default by Commercial Acceptance in the amount of \$6,054,940.08 which involved my note 1097C. In the same letter United Security Trust also stated that CAC had defaulted on other notes in the amount of \$5,907,456.64.

As the result of these disturbing communications I became extremely worried and began calling Commercial Acceptance Corp. for an explanation and demanded my money. The receptionist continuously told me that the executives were not available and as a result I was never able to speak with anyone about the problem. I went to their office unannounced on 10.9.87 and after an extremely long wait finally was able to meet with [REDACTED] They both assured me that my money would be paid shortly. Since I heard nothing more from them I began making calls unsuccessfully on 10.12, 13, & 14.87 and was never able to contact anyone. I went to their office again unannounced on 10.14.87 to deliver a letter of demand to [REDACTED] The telephone receptionist spoke to him in his office but he refused to come out and accept the letter and repeatedly insisted that I speak with [REDACTED] I advised the receptionist that I had no desire to speak to [REDACTED] and left the letter for [REDACTED] and obtained a receipt for the same signed by his secretary.

I have also attempted to get information from United Securities Trust but their [REDACTED] refuse to discuss the problem with me. The Trust Company has announced a meeting to be held at 10 a.m., October 21, 1987 at the Hyatt Hotel, 6225 West Century Blvd. Los Angeles, Ca. 90045 in the International Ballroom.

I do feel that this operation extends far beyond the State of California since I have been advised that the Insurance Company is Busicorp, SARL, Luxenberg.

[REDACTED]

Page 3

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I feel that I have possibly become involved with an illegal operation. This company originally paid off it's small loans conscienciously but now that they have extracted larger sums of money from me they have defaulted on their loans. They have also refused to discuss the problem with me and I have not been able to find them even when I go to their offices. On one occasion that I did speak with them they refused to give me any information and what methods they were using to collect my money. They have also refused to return my original certificate to me.

I do hope that your department will look into this situation and if this is a "bust out scheme", I do hope that the involved personell will be aprehended before more people loose their life's earnings.

Sincerely,

[REDACTED]

[REDACTED]

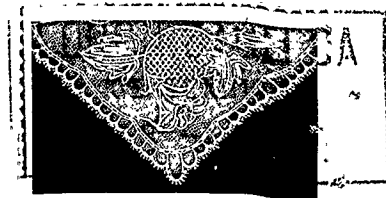
✓ 29-0-1751 9/85 196A-4334 * 5/87
Commercial Acceptance Corporation

411 West 7th Street

Suite 700

Los Angeles, California 90014

213-626-1151



Lacemaking USA 22

F B I
17th Floor
11000 Wilshire Blvd.
Los Angeles, Ca. 90024

Attn:



Department of Fraus

WCC-1

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[REDACTED]

November 5, 1987

[REDACTED]

F B I -17th Floor
11000 Wilshire Blvd.
Los Angeles, California 90024

Dear [REDACTED]

Thank you very much for taking an interest in my problem with Commercial Acceptance Corporation, United Security Trust of Santa Barbara and Mr. John C. Ellsworth.

My letter and a letter from [REDACTED]

[REDACTED] outlined the problems as they existed up to November 1, 1987.

The following is a brief summary of what has transpired since that time. Commercial Acceptance Corporation called a meeting on November 2, 1987 at the Los Angeles Athletic Club for contributors of Pool 1097C and 1097. Attending this meeting were [REDACTED] of C.A.C.

[REDACTED] C.A.C., [REDACTED] C.A.C., salesman, another person of the Board of Directors of C.A.C. and a stenographer for C.A.C. At this meeting [REDACTED] explained their operative procedures. C.A.C. solicits money from lenders, deposits it with U.S.T. and then C.A.C. finds borrowers for the money. Upon finding a borrower then U.S.T. releases the money to the borrower through C.A.C. All payments on the notes, including principal and interest, are made through C.A.C. and forwarded to U.S.T. C.A.C. is responsible for appraisal of all collateral property and U.S.T. is committed to verify the collateral before authenticating a certificate. During this meeting [REDACTED] stated that C.A.C. is adequately collateralized and is able to repay all loans. He also stated that U.S.T. is in default on a loan they have taken from

Page 2

C.A.C. During this meeting [] suggested that C.A.C. from henceforth would collect all interest and principal and place the money in escrow for the various pools so that the money would not be paid to U.S.T.

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On November 4, 1987 another meeting was called by U.S.T. for investors in all pools. The meeting was convened at 10 a.m. at the Hyatt Hotel on Century Blvd., Los Angeles, and recessed at 2 p.m. The agenda for the meeting is enclosed as are reports from U.S.T. and a [] re: Basicorp. As you see, the California Corporate Commissioner's office has taken over the office of C.A.C. All their books are being audited at the present time. Mr. John Ellsworth did appear and gave a report of his affairs and stated that he had adequate collateral to control all of his loans. Of importance, he stated that [] of Luxemburg with whom Mr. Ellsworth has been associated in Europe will be in the United States for 4-5 days within the next 2 weeks. He allegedly is bringing adequate capital to service Mr. Ellsworth's currently defaulted loan. Mr. Ellsworth admits to owning numerous businesses both here and abroad and also admits numerous associates whom he failed to identify. He also stated that he had an encounter with the F.B.I. in Europe which he stated involved an attempt to "shake him down" on an insurance policy. C.A.C. also read a letter signed by [] acknowledging a loan by U.S.T. from C.A.C. which is now in default. Mr. Ellsworth also reported that U.S.T. had purchased an insurance policy from his company but failed to pay their premiums. A steering committee had been formed at the previous meeting on the recommendation of U.S.T. and there seems to be some conflict of interest in this committee since some of the members of this committee are allegedly clients of U.S.T. It should also be noted that [] stated that he would be leaving for Europe within the next week. There is no doubt that this problem is complex and I certainly appreciate your concern about this situation.

Page 3

I have tapes of all of our meetings and will be glad to make them available to you to assist in your investigation. I would be willing to visit your office personally at anytime should you so desire.

Gratefully,

 abf

cc:



Encl.: 3

STAEHELIN HAFTER JAGMETTI LUTZ & PARTNER

RECHTSANWÄLTE

DR. WILLY STAEHELIN
PROF. DR. MARIO M. PEDRAZZINI
DR. PETER HAFTER
DR. MARCO JAGMETTI
DR. MARTIN J. LUTZ
DR. PETER MAX GUTZWILLER
DR. ROBERT HEBERLEIN
DR. MARTIN ASCHER
DR. CHRISTOPH REINHARDT
DR. RUDOLF TICHAN

DR. PETER HEINRICH
DR. URS L. BAUMBARTNER

LIC. CORINNE JAGMETTI
DR. PETER SCHAUFELBERGER
LIC. CHRISTINA BALASS
LIC. THOMAS HUNZIKER
DR. URS PETER KÄLIN
LIC. URS ROHNER
LIC. BARBARA FREI
LIC. THOMAS KLEIN
DR. MONICA VAN HOBOKEN

BLEICHERWEG 68
8027 ZÜRICH

TELEPHON: (01) 2014540
TELEGRAMME: STAEHELINJUR
TELEX: 815656 LAW CH
TELEFAX: (01) 2014550
October 29, 1987
L/ka

BY TELECOPIER

[REDACTED]
Hedge & Parent
21 East Carrillo Street
St. Barbara, California 93101-2782
U.S.A.

United Security Trust Company

Dear [REDACTED]

On behalf of [REDACTED] I would like to bring to your attention the results of my investigation in the above-mentioned matter.

1. Concerning IRI Re-Insurance for International Business Limited we have received the following information from the register of commerce of the Principality of Liechtenstein: the Company was founded on August 21, 1986. Its purpose was the negotiation and conclusion of reinsurances, finance transactions and the participation in enterprises, and all other legal transactions in this context. Its sharecapital amounted to sfrs 50'000.--, divided into 50 fully paid-in bearer shares with a nominal value of sfrs 1'000.-- each.

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The first member of the board was [redacted]. He is a member of a reputable trust company. On October 10, 1986, he was replaced by [redacted], U.S.A., and Mr. John C. Ellsworth, 411 West 7th Street, Suite 800, Los Angeles, California. Both of them had individual signature for the Company.

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Following a resolution dated December 15, 1986, the liquidation of the Company was noted in the register of commerce on December 16, 1986. [redacted]

[redacted] was appointed as liquidator with individual signature.

The Corporation was erased from the register of commerce after completion of the liquidation on June 23, 1987. It is highly unusual for a corporation to be liquidated only after four month of existence. So far we do not know anything nearer.

2. I have contacted [redacted] in Luxemburg to question him about the history of the two corporations. [redacted] was very corporative and willing to give me all the information he could provide. He told me, that Busicorp went into liquidation in December 1986. He was appointed as liquidator. This summer the liquidation was concluded and the remaining assets of the Company were distributed to the sole shareholder, Mr. John Ellsworth, 411 West 7th Street, Los Angeles, Suite 800. Apparantly Mr. Ellsworth has received about 12,8 mio. Belgian Francs. [redacted] told me, that a small amount of this sum was still in his hands. He further said, that he has been on the board of Busicorp together with a number of US citizens. He will send me by telefax the name and addresses of the former board members of Busicorp. I shall fax them to you as soon as I will have received them.

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3. I tried to contact the Swiss insurance companies which are listed on the letter of IRI Re-Insurance for International Business Limited to [redacted] dated October 7, 1986. By the way all the names of the Swiss companies are misstated. [redacted] of Schweizerische Rückversicherungsgesellschaft told me, that the named insurance companies are aware of this case and that his company is taking the lead to conduct the investigations in this matter. None of the named Swiss insurance companies had any business contracts with IRI Re-Insurance or Busicorp. He told me, that his investigations are only advancing at a very slow pace, as it is usually the case, when illegal acts seem to be involved. The insurance companies will decide upon taking further measures against the responsible persons as soon as they will have concluded their investigation.

- 3 -

I shall send [] and his colleagues the affidavit form which we will receive from you.

I hope that these informations have been helpful to you and I shall contact you again as soon as I have more knowledge about this matter.

With kind regards,

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yours sincerely,

[]

UPDATE OF EVENTS SINCE 10/21/87

1. Preparation for November 4 Meeting.

At the conclusion of the October 21, 1987 investors' meeting a written report was prepared by USTC and forwarded to all investors on October 23, 1987.

2. Financial.

No funds have been received from CAC since October 21, 1987. No disbursements have been made by USTC to any investor since October 21, 1987. No funds have been received from the insurance companies.

On October 31, 1987, Series 1107C & 1107I matured and became due and payable. No funds have been received from CAC or the insurance companies to make principal and/or interest payments to the applicable investors. Appropriate demands on CAC and the insurance companies have been made by USTC of this event of default.

3. Insurance.

On October 23, 1987, USTC counsel sent a letter to attorney [] the representative of Busicorp and/or IRI RE-Insurance for International Business Ltd. who appeared at the October 21, 1987 meeting. [] was asked for documentation to substantiate his claim that there was an effective insurance program in place and that the insurance was backed by a re-insurance pool of large and well-established European insurance companies. Further [] was asked for an explanation for his assertion that CAC would be able to meet its ongoing obligations and that certain borrowers from CAC would within thirty (30) days meet their financial obligations. NO RESPONSE FROM [] HAS BEEN RECEIVED.

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On October 23, 1987, USTC counsel learned from [] of the Swiss law firm of Staehelin Hafter Jagmetti Lutz & Partner that he had received negative information regarding the existence of Busicorp and IRI. Further, he had learned from a confidential source that none of the alleged large and well-established European insurance companies had any association with the collateral trust note program. [] indicated that a formal written report would be forthcoming.

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On October 29, 1987, [] sent a letter which is attached. The substance is that IRI was founded in August of 1986 and was dissolved in December 1986. The liquidation was completed in June 1987 with its assets being distributed to John C. Ellsworth.^{1/} [] further indicated that he had corroborated the fact that no large and well-established European insurance companies had participated in the collateral trust note program and that Zurich Insurance Co. had knowledge of a fraud investigation.

This information was immediately forwarded to attorney [] for distribution to the ad hoc steering committee on behalf of the investors.

^{1/} Mr. Ellsworth is the same man who indicated to USTC's [] et al., that he was the U.S. representative of Busicorp/IRI. He is a signatory in one capacity or another on a number of the loans from CAC. He is the one who on behalf of U.S. Coal Corporation sent to USTC five sight drafts in the amount of \$1,375,000 which were later dishonored by a Belgian bank.

4. Collateral

On October 27, 1987 counsel to USTC conducted a preliminary investigation of collateralized promissory notes and determined that a large portion of the loans in the defaulted series were made to "Dennis E. Wagner Enterprises" or EMD Investments and the security was land located near Anchorage, Alaska. In order to determine its existence and value, the Anchorage law firm of Lynch, Crosby, Melinda & Sisson and [] of that firm was retained to investigate the Alaska collateral. Copies of the security instruments relating to the land in Alaska were forwarded.

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On October 30 and November 2, [] reported that [] post office box had been closed with no forwarding address. He further reported that one parcel in the Gridwood-Portage area, approximately 35-40 miles south of Anchorage, was purchased by []

[] in November 1982 for a price believed to be close to [] There was a recorded trust deed in that amount when he purchased the land from a []

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[] On December 23, 1982, [] borrowed approximately [] against this property. [] reported that land in the general area dropped six (6) feet or more as a result of the 1964 earthquake. This particular parcel is totally under water at high tide. He is developing further information.

As to a more northerly parcel located in Wascilla, approximately 40 miles north of Anchorage, two of the three parcels are still owned by Dennis E. Wagner Enterprises and one by EMD. USTC counsel is awaiting a formal title report on those three parcels. An appraiser has been asked to make an informal estimate of the fair market value of those parcels. Results are pending.

5. Ad Hoc Steering Committee.

On October 24, 1987, [redacted] for investor Lakewood Pipe, indicated that [redacted] a bankruptcy attorney in Los Angeles, had been hired and was considering the option of bringing an involuntary bankruptcy against CAC. On October 27, counsel for USTC spoke with [redacted] of [redacted] firm and [redacted] of [redacted] firm. USTC supplied requested information. No further information on this subject has been received.

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6. California Corporation Commissioner's Action.

On October 29, 1987, [redacted] senior attorney for the California Corporation Commissioner's Office, indicated to USTC counsel that she had requested that CAC produce all of its collateral trust note program files. She received unsatisfactory responses from CAC and, on October 30, [redacted] indicated that her investigators had assumed control over the premises of CAC and seized all relevant records. [redacted] asked USTC for a declaration regarding CAC defaults. This was prepared by USTC counsel over the weekend of October 31-November 1 and was sent to [redacted] on November 2. USTC counsel understands that the California Corporation Commissioner intends to request a Los Angeles Superior Court Judge to appoint a receiver for CAC's operations.

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7. John C. Ellsworth.

USTC's staff has made an effort to isolate documents bearing the name John C. Ellsworth and those security documents which do not bear his name but represent loans to companies where it is reasonably believed that he has some connection.

Of the \$52.2 million dollars worth of loans outstanding in the entire program, Mr. Ellsworth's name appears on \$26 million dollars (50%) worth of security instruments. Making some reasonable assumptions of Mr. Ellsworth's connection to certain other borrowers, based on information received at different times by USTC personnel, Mr. Ellsworth borrowed a total of \$27.7 million dollars (53%).

The companies with which Mr. Ellsworth is known to have a connection are Desert Marvel, Ltd., Dennis E. Wagner Enterprises, Sultana Holdings, Inc., U.S. Coal Corporation, Oasis Entertainment, Apple Valley Air Service, Intervideo, Ltd. and John C. Ellsworth.

The questionable companies are Slausen Steel & Tube and Hughes Steel & Tube.^{2/} The connection appears to be that security documents were signed by a [redacted] in the capacity of [redacted] has also signed loans affiliated with John C. Ellsworth on behalf of U.S. Coal Corporation (secretary/assistant-secretary), Sultana Holdings (assistant-secretary), Desert Marvel (assistant-secretary) and Intervideo (secretary).

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^{2/} USTC's written request that [redacted] pay principal and interest directly to USTC was returned marked Undeliverable - No Forwarding Address.

IRI RE - Insurance For International Business Ltd.

AEULESTRASSE 5 FL-9490 VADUZ

October 30, 1987

P.O.B. 83

Telefon: (075) 2 34 34

Telefon: (075) 2 76 34

Telex: 77871 TUVFL

HISTORICAL BACKGROUND

Busicorp S.A.R.L.

Busicorp S.A.R.L. was established as a fiduciary international corporate company in 1984. Under the laws of the Grand Duché of Luxembourg, the incorporators were [redacted]. The registration number known as the RC# in Luxembourg for Busicorp S.A.R.L. is [redacted]. The department of taxation number is [redacted] and custom number [redacted]. On June 15, 1985 Busicorp S.A.R.L. agreed to issue certain guarantee bonds for Commercial Acceptance Corporation and would arrange for the establishment of an internationally acceptable reinsurance pools to reinsure 80% of the undertaking. At this time Mr. Ellsworth agreed to provide certain collateral to assist Busicorp in meeting its requirements. Shortly after Busicorp proceeded to issue its guarantee bonds for Commercial Acceptance Corporation, Busicorp, S.A.R.L. entered into an agreement with AAEP Management, A.G. to create, manage and maintain certain reinsurance agreements. In 1986 at the recommendation of Busicorp's tax advisors, they decided to establish IRI Re-Insurance for International Business, Ltd., established under Lichtenstein law with reinsurance pool arrangements to be handled by ESC, S.A. as arranged by [redacted].

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IRI Re-Insurance assumes the obligations and responsibilities of Busicorp.

IRI has received from United Security Trust a demand for 1.6 million U.S. dollars which claim will be honored by the Company. The Company is also advised, that due to certain precipitous actions on the part of Commercial Acceptance Corporation's trustee, that the trustee is taking action that could result in a premature demand on the bonds. IRI and its associates have sufficient resources to honor the obligations that they undertook, but will only do so after careful review with CAC of all future claims above the initial claim of 1.6 million dollars.

In addition it should be noted that the trustee, who is taking the irrational action and by inference and innuendo, is making statements concerning Busicorp and IRI etc. that United Security Trust obtained an error and omission policy from IRI in May of 1987.

A full detailed report is being prepared with evidence to demonstrate its capability of honoring claims now and in the future. The first claim is being processed and will be paid timely in the event CAC is unable to recover the monies due it which the recovery process that is presently taking place.

Our attorney in the United States, [redacted] will handle any inquiries and be the disseminating point for the report that is being prepared.

IRI RE - Insurance For International Business Ltd.

AEULESTRASSE 5 FL-9490 VADUZ

P.O.B. 83

Telefon: (075) 2 34 34

Telefon: (075) 2 76 34

Telex: 77871 TUVFL

HISTORICAL BACKGROUND

October 30, 1987

Page 2



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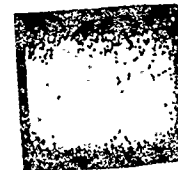
Pay to the order of UNITED
SECURITY TRUST COMPANY.

By

[Redacted]
[Redacted]
Commercial Acceptance Corp.

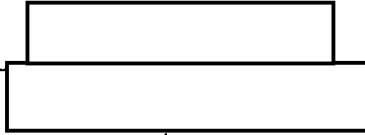
Endorsement

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Pay to the order of UNITED
SECURITY TRUST COMPANY.

By



Commercial Acceptance Corp.

PAY TO THE ORDER OF
CITY COMMERCE BANK
MAIN OFFICE
FOR DEPOSIT ONLY
UNITED SECURITY TRUST COMPANY
TRUST ACCOUNT
01 027379

Endorsement
check 5313

1 AG 86 29
PROCESSED
MAY 1986
421060701

010403803

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[Redacted]

November 15, 1987

[Redacted]

FBI-17th Floor
11000 Wilshire Blvd.
Los Angeles, Ca. 90024

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Dear [Redacted]

Enclosed please find a notice of meeting and also an interesting bit of information from [Redacted] from United Security Trust Company. I do feel that there still exists a great probability that UST is not being honest in their acting as a trustee for our funds.

Sincerely,

[Redacted]

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NOTICE

THE MEETING LOCATION HAS BEEN CHANGED TO:

**THE LOS ANGELES
AIRPORT HILTON HOTEL
5711 WEST CENTURY BLVD
LOS ANGELES, CA 90045
PLAZA D - LOWER LOBBY
WEDNESDAY 10:00AM
NOV. 18, 1987**

THIS CHANGE IN LOCATION WAS NECESSITATED
BY THE INABILITY TO RESERVE A MEETING
ROOM AT THE HYATT FOR THE STATED TIME.

MEMORANDUM

TO: COLLATERAL TRUST NOTE HOLDERS

FROM: [REDACTED]
CEO, UNITED SECURITY TRUST COMPANY ("USTC")

DATE: 11-13-87

RE: UPDATE OF EVENTS SINCE 11-4-87

MEETING OF NOVEMBER 4, 1987

A second meeting of investors was held on November 4 to discuss what action should be taken in light of the numerous defaults by CAC under the collateral trust note program.

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[REDACTED] read a prepared statement, copies of which were distributed. Extra copies are available upon request.

[REDACTED] attorney at law, gave a brief synopsis of the ad hoc investors' committee.

[REDACTED] senior attorney, California Corporations Commissioner, gave a lengthy outline of her office's seizure of CAC's books and records and an indication that her office would be seeking a court appointed receiver for CAC.

JOHN C. ELLSWORTH, insurance representative for Busicorp and IRI RE-Insurance, and [REDACTED] attorney at law, explained various aspects of the insurance and collateral protecting the investors' investment.

[REDACTED] and [REDACTED] of CAC, and [REDACTED] attorney at law, explained their problems and gave their assurances that the investors were protected.

After considerable discussion, the investors unanimously passed the following motion:

"USTC and CAC are directed to cooperate with all governmental agencies, including the California Corporation Commissioner, and to meet again on November 18, 1987."

The meetings of October 21 and November 4 were tape recorded and have been transcribed by a certified court shorthand reporter. Copies may be obtained from USTC upon request. There is a charge for either item.

At the last meeting a question was raised by CAC regarding an obligation owing by USTC to CAC. A report on this subject will be made at the meeting.

RECEIVER AND CORPORATION COMMISSIONER ACTIVITY

USTC's counsel is informed by [] that she received a written communication from CAC's attorneys scheduling a hearing in court for Friday, November 6 at 1:30 p.m. CAC stated its intention to have the court remove the Corporate Commissioner's investigators from CAC's premises.

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[] was present at the appointed time and place. CAC or its attorneys did not appear. No action was taken.

The Corporate Commissioner has advised that a receiver will be applied for from the Los Angeles Superior Court sometime in the near future. As of this writing, [] was still reviewing the documents seized from CAC and preparing the necessary court documents. If more information is available, it will be provided.

CALIFORNIA FIRST/INDUSTRIAL INDEMNITY COLLATERAL

At the investors' meeting of October 21 and again on November 4, 1987, CAC and its attorneys indicated that only if \$12 - \$15 million dollars held by California First and Industrial Indemnity were returned to them, CAC's cash flow problems would disappear. [] stated:

"But as you must know, what is there is approximately \$15 million in collateral and constitutes about 24 percent of the assets of CAC." (Transcript pages 80-81.)

[] on the same subject stated:

"They (Cal First) have never furnished us back with the papers they hold on our properties, the UCC-1s, all the filings. Everything we do, to refinance. Do you think with \$15 million sitting in Cal First we wouldn't refinance for a million-six?" (Tr. 102)

Since November 4, USTC's counsel has had numerous discussions with attorneys for California First and Industrial Indemnity. It has been reported to USTC's counsel that the disputed collateral is only \$5 million (approximately) and Industrial Indemnity signed all documents and returned them to CAC on October 17, 1987. Why this was not explained to the investors on October 21, 1987 or on November 4, 1987 is unknown to USTC's counsel.

Further, USTC's counsel has been informed that the fair market value of the \$5 million dollars of collateral is somewhat questionable. USTC's counsel advised that if foreclosure proceedings are required on this collateral, many months, even years, could pass before funds are realized.

USTC's counsel has been informed that the dispute with California First and Industrial Indemnity resulted because CAC defaulted on three (3) series pools organized in a similar fashion to those under our master Collateral Trust program. Because of these defaults, Industrial Indemnity paid to those investors approximately \$16 million dollars. Exactly who the borrowers were and who defaulted under those collateralized trust notes is unknown at present. Voluminous files are available for review.

INSURANCE

After the November 4 meeting, USTC's counsel wrote to [redacted] attorney for Mr. Ellsworth, Busicorp and IRI RE-Insurance, to ask him to please produce the mysterious letter from Luxembourg (in the "Luxembourgesse language") in order to substantiate Mr. Ellsworth's statements that there is in fact insurance or collateral for the benefit of the investors. Additionally, Mr. Ellsworth's other statements were asked to be substantiated by written documentation. To date, [redacted] has failed to reply to either the letter of October 22, 1987 or the letter of November 9, 1987 from USTC's counsel.

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USTC's counsel has asked Swiss counsel to interview [redacted] regarding statements made to USTC's counsel on November 3, 1987 that the claim that Busicorp/IRI RE-Insurance are sureties under the Collateral Trust program is less than accurate and that [redacted] signatures on various documents are not truly his. This has not yet been substantiated. Hopefully, more information will be available for the meeting.

Mr. Ellsworth was quite specific at the November 4 meeting that [] is coming within the next two weeks and will be here for four days and be available to meet with the ad hoc committee or answer any questions." (Tr. 55.)

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USTC received a letter from [] on November 12, 1987, which states:

"...I have transferred this matter to the Federal Bureau of Investigations in Santa Barbara...

"[F]or good order I like to inform you, that IRI as well as BUSICORP are definitively dissolved."

On November 9, 1987, USTC's counsel received from [] of the Baloise Insurance Company Ltd. a communication that they are not part of any bonding pool and that the papers delivered to USTC by CAC, presumably obtained from Mr. Ellsworth, stating the contrary are untrue. At least two Swiss insurance companies, Zurich and Baloise, have asked for USTC's assistance in getting the truth of how their names came to be associated with any bonding pool for the Collateral Trust Note program.

THE COLLATERAL

USTC's counsel relayed to Alaskan counsel many of the comments made by [] of CAC to the investors at the November 4 meeting. USTC's counsel has been informed by the Alaskan attorneys that many of the factual statements made by [] to the investors are, in their opinion, based upon misinformation. A qualified MAI has been engaged to render a preliminary appraisal and report regarding the value of the properties in Alaska which appear to secure approximately \$20 million dollars worth of loans. Hopefully more information will be available at the meeting.

USTC RECOMMENDATIONS

Heretofore, USTC has given the investors all available information in its possession so that they might chart their own destiny. To date, the investors have only agreed that USTC and CAC should cooperate with all governmental agencies, including the Corporation Commissioner in seeking a receiver. This directive has been followed by USTC.

Every fact involving representations regarding the insurance for the investments and regarding the land values securing approximately 38% (\$20 million/\$52 million) of the

trust investors' loans has raised serious questions. There appears to be no insurance and the collateral may be worth far less than the value which has been scheduled and assigned to the trust.

USTC recommends on the advice of its counsel that the investors take the following immediate steps:

1. If no receiver is appointed within the 30 day period the Corporation Commissioner has the CAC files under their control, application should be made either to the bankruptcy court or to a superior court for the immediate appointment of a receiver to take over all aspects of CAC's operations under the Collateral Trust Note program.

2. As to all series under the master Collateral Trust Agreement, all notes, whether in default or not in default at the present time, should be declared to be in an event of default.

3. All appropriate legal action, including foreclosure and suits at law and equity, should be brought against all borrowers who are currently in default and who become in default on their obligations to CAC.

4. All borrowers should be investigated to determine if the loans were arms length transactions, and if not, that appropriate action be taken to locate and seize all investor funds. This may involve a search in foreign lands.

5. All collateral pledged and assigned by the borrowers to CAC must be investigated to determine its actual fair market value.

6. All payments made by borrowers to the receiver should be held for the benefit of the investors in the series to which the pledged collateral has been scheduled and assigned by CAC.

7. Unless there is unanimity on the question of "cross-collateralizations," i.e. how the funds held in the principal and collateral accounts should be distributed, application should be made to an appropriate court for distribution orders.

8. The investors and USTC must aggressively attempt to involve local, state, national and international law enforcement authorities to have them conduct a thorough and intensive investigation of the entire collateral trust note program.

INDEMNIFICATION OF USTC

USTC requires indemnification for its costs and expenses before it will take any or all of the steps set forth above. USTC has expended from collateral trust accounts funds of approximately forty-one thousand dollars (\$41,000) for out of pocket expenses for attorneys, consultants and accommodations for these meetings. A statement of these expenses has been billed to CAC.

* U.S. GOVERNMENT PRINTING OFFICE: 1985-491-510:42001

Memorandum



To : SAC, LA (196A- NEW)

Date 11/16/87

From : SA [redacted]

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Subject : JOHN C. ELLSWORTH;

dba/ COMMERCIAL ACCEPTANCE CORP;

U. S. COAL CORPORATION;

BUSICORP;

FBW; MF; ITSP; ERISA:

OO: LA

On 11/3/87, [redacted] (PROTECT, COOPERATING WITNESS) [redacted] advised that he had been contacted by [redacted]

[redacted] and who became involved in a venture with ELLSWORTH. ELLSWORTH and [redacted] with [redacted] formed BUSICORP in Luxembourg capitalized with \$300,000.00 as a reinsurance company to guarantee securities issued by other companies. BUSICORP was subsequently liquidated in Dec. 1986.

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[redacted] has recently learned that ELLSWORTH [redacted]

According to [redacted] is aware of the situation, and some investigation has already been undertaken [redacted]

The same date, [redacted] contacted me and advised he represents UNITED SECURITIES TRUST (UST). Approximately \$52,000,000.00 in pension fund money has been invested thru CAC and ELLSWORTH which was guaranteed by BUSICORP in some way. [redacted] requested that nothing be done until after a meeting of various investors and CAC which was to be held on 11/4/87, in LA.

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INDICES SEARCHED:

MANUALLY [redacted]

FOIMS [redacted]

196A-4834-14

SEARCHED [redacted]	INDEXED [redacted]
SERIALIZED [redacted]	FILED [redacted]
NOV 19 1987	
FBI - LOS ANGELES	

SA [redacted] ADVISED BY ROUTINE

SLIP 11/20/87 CASE OPENED

TO [redacted]

196A-new

On 11/5/87, [] advised that after the meeting, it was the consensus of the investors who handle the pension plan funds that a fraud may have been committed and he was given authorization to give any information necessary to the FBI or other investigating authorities. An appointment was set up with [] on 11/13/87, but it had to be broken.

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On 11/16/87, [] contacted me and advised he had been in touch with []

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[]

A meeting with [] was set for 11/17/87.

Open & assign 196A- new to a LA agent as the subjects and CAC are located there.

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Information obtained from [] will be reported on FD-302.

[REDACTED]
United Security Trust Co.
April 9, 1986
Page 2

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Management representing the Luxembourg Reinsurance Pool whose individual members are equivalent to an A.M. Best rating of A-12 or better. Under the terms of the Bond the Surety shall pay amounts to the Trustee, for payment to the purchasers, equal to that portion of principal and/or interest, if any, on the Notes which shall be unpaid for any reason of nonpayment by the Company.

F. The California Corporate Securities Act of 1968, Section 25102(e) and 25102(f) allows the Company, at its discretion, to accept Subscription on a limited basis from KEOGH plans, I.R.A.'s Corporations and accredited individuals who meet the accepted suitability standards for this investment.

Please acknowledge your receipt of this form of the Insured Collateral Trust Note, Series 3069C/3069I which are to be issued with the provisions of the Agreement by executing and returning this Series Designation.

COMMERCIAL ACCEPTANCE CORPORATION

BY

[REDACTED]

BY:

[REDACTED]
[REDACTED]

Secretary

UNITED SECURITY TRUST COMPANY

BY:

[REDACTED]

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196A-4834-15

SEARCHED.....	INDEXED.....
SERIALIZED.....	FILED.....
DEC 4 1987	
FBI - LOS ANGELES	

[REDACTED]

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12, Ceinture des Rosiers · Howald
Téléphone 49 31 97
Télex 2251 luxco

BGL 30-249 940-05

busicorp

s.à.r.l.

Luxembourg, le

INTEREST AND PRINCIPAL SURETY BOND

PRINCIPAL: Commercial Acceptance Corporation
411 West Seventh Street, Ste. 700
Los Angeles, California 90014

NOTES: Commercial Acceptance Corporation
Series 3069C/3069I

TERM: 3 years from the date herein until June 30, 1989

FACE AMOUNT: US\$2,500,000

INTEREST: 11 3/4% per annum

Bond Number: A2110
Prepaid Premium: US\$118,750
Premium Period: 3 years, 2 months

DATE: September 30, 1985

KNOW ALL MEN BY THESE PRESENTS, for consideration received that Busicorp S.A.R.L., a Luxembourg stock corporation ("Guarantor") as Guarantor for Commercial Acceptance Corporation ("Principal"), is held and firmly bound unto United Security Trust Company, Santa Barbara, as Trustee ("Trustee") and unto the Holders under a Collateral Trust Agreement, ("Trust"), between the Principal and the Trustee relating to the Notes (as that term is described in the "Trust Agreement"), and to its successors of the Notes from time to time, for that portion of the principal and interest on the Notes which shall become due for payment and the obligations to maintain the Interest Reserve Account (as both of these terms are described in the Trust Agreement), but shall be unpaid by reason of nonpayment by the Principal.

Upon the happening or continuance of Nonpayment by the Principal- the Guarantor shall remedy such Nonpayment by making payments on or before the time periods specified in the Trust Agreement to the Trustee of the principal and/or interest of the Notes or to the Interest Reserve Account as described in the Trust Agreement upon written notification by Trustee.

12, Ceinture des Rosiers - Howald
Téléphone 49 31 97
Télex 2251 luxco

BGL 30-249 940-05

busicorp

s.à.r.l.

Luxembourg, le

In the event there shall be no Trustee then acting under the Trust Agreement, the Guarantor shall make payments directly to the Noteholders or any protective committee or committees established in their behalf. Upon such payment, the Guarantor shall be subrogated, to the extent provided by Law or the Trust Agreement, to all the rights and remedies of the Trustee or the Holders of the Notes, as the cause may be, as to which such payments have been made.

As used herein, the following terms shall have the meaning indicated: the term "Holder" shall mean any person other than the Issuer who at the time of Nonpayment is the registered owner of a Note; the term "Due for Payment", when referring to the principal of the Notes, shall mean the date when the stated maturity date has been reached or such earlier date on which payment is due by reason of a call for redemption, acceleration or other advancement of maturity, as provided for in the Notes, and when referring to interest on the Notes shall mean the stated date for payment of interest; and the term "Nonpayment" shall mean the failure of the Principal to have provided sufficient funds to the Trustee for payment in full of all principal and interest on the notes which are Due for Payment or to have provided sufficient funds to the Trustee for Payment in full of the amounts required to maintain the Interest Reserve Base Amount.

This Guarantee is effective upon payment of the above stated premium and is noncancellable for any reason, including without limitation, the voluntary or involuntary commencement or maintenance of bankruptcy reorganization or insolvency proceedings, assignment for the benefit of creditors by, for or against the Principal; or any negligent misrepresentation or omission made by the Principal with reference to the issuance of this Guarantee.

Further, the Trustee, or in the event there shall be no Trustee, the Holders or any committee or committees acting on their behalf, shall have the right under this agreement to proceed directly against the Guarantor hereunder without the necessity for demand, notice or other action by, to or with respect to the Principal. The premium on this Agreement is not refundable for any reason including payment on the Notes prior to maturity. This Agreement does not insure against loss of any redemption or repayment which at any time may become due in respect of any Note or against any risk other than Nonpayment.

12, Ceinture des Rosiers · Howald
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s.à.r.l.

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The Guarantor warrants that this Agreement will be reinsured with a major reinsurance company in the world whose Global rating with either Standard & Poor's or Moody's is equal to at least the equivalent of an A.M. Best Rating of A-12 or better.

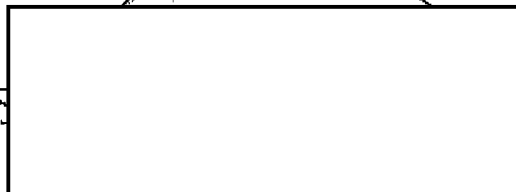
The reinsurance will be with a Best Rating major reinsurance pool.

This bond will be substituted for a bond issued by International Reinsurance S.A. of Luxembourg.

IN WITNESS WHEREOF, Busicorp S.A.R.L. has caused this Agreement to be executed by its duly authorized directors and to become effective and binding upon BUSICORP S.A.R.L. by virtue of the signature(s) of its directors and receipt of the premium aforementioned.

BUSICORP S.A.R.L.

BY




BY

John Ellsworth
Managing Director

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AAEP Management 


busicorp
12, Centure des Rosiers

H o w a l d
Luxembourg

Zürich, 14th August 1985

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Dear 

We refer to our yesterday's conversation and confirm our interest in assisting you with the establishment and operation of a reinsurance-company based in Liechtenstein.

Liechtenstein is an excellent location for such an operation and we would like to indicate but a few advantages we can offer. There is certainly the tax-aspect to be considered since Liechtenstein knows only a 4 % withholding tax on dividends paid. The security and stability of the country are excellent. The currency is the strong Swiss franc and access to the Swiss banking system is easy.

We can offer to you as partners for the benefit of your clients our long experience in reinsurance-matters and also in finding tailor-made solutions. We offer you flexibility and access to reinsurance-markets through our worldwide connections.

Enclosed you find a summary about Liechtenstein giving you all the salient features in connection with reinsurance-operations.

Looking forward to continuing our discussions, we remain

yours sincerely,
AAEP MANAGEMENT LTD.

Encl.

12, Ceinture des Rosiers · Howald
Téléphone 49 31 97
Télex 2251 Luxco.

BGL 30-249 940-05

busicorp

XXX. S.A.

Luxembourg, le 13.05.1987

WINTERTHUR ASSURANCES
Département Réassurances

Boîte postale 286
CH - 8401 WINTERTHUR

A l'attention de

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Cher

En me référant à notre entretien téléphonique du 11.05.87 je vous envoie copie de l'acte notarié de la mise en liquidation en date du 24.12.86 de la société BUSICORP de laquelle les associés américains m'ont chargés.

Je vous serai reconnaissant de m'envoyer les documents en votre possession. Après examen et sur déclaration des administrateurs américains aucune obligation n'existe envers votre société.

Etant sous liquidation la société n'a plus d'activité commerciale et il n'existe plus aucun contrat en vigueur.

Avec nos remerciements anticipés, veuillez agréer, Monsieur, l'expression de nos salutations très distinguées.

BUSICORP S.A.

le liquidateur

Annexe

**SUPPLEMENTAL AGREEMENT MADE JUNE 18, 1985,
BETWEEN BUSICORP S.A.R.L. OF LUXEMBOURG,
DESERT MARVEL ESTATES, LTD., AND JOHN C.
ELLSWORTH.**

FOR VALUE RECEIVED we agree to the following:

With regard to the bonds between us and Commercial Acceptance Corporation, maturing June 18, 1986, and any other bonds we may agree to issue to either Commercial Acceptance Corporation and Desert Marvel Estates, Ltd., and referring to our warranting and agreeing to reinsure, it is specifically understood and agreed that our warranting and agreeing to re-insure our bonds is conditioned upon Desert Marvel Estates, Ltd., or any entity on its behalf, providing US\$1,000,000.00 to meet the legal requirements for the formation of International Reinsurance Company S. A. of Luxembourg. The failure to provide such funding, as aforesaid, shall void all such bonds and Busicorp shall return all collateral, unimpaired, to Desert Marvel Estates, Ltd.

Desert Marvel Estates, Ltd., and John C. Ellsworth, agree to notify and advise Commercial Acceptance Corporation that the said bonds are conditioned upon the requirement that US\$1,000,000.00 cash must be provided prior to International Reinsurance Company S.A. of Luxembourg becoming effective as a Luxembourg insurance company.

BUSICORP S.A.R.L.

BY:

DESERT MARVEL ESTATES LTD.

BY:

JOHN C. ELLSWORTH

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THIS NOTE HAS BEEN ISSUED PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, PROVIDED BY SECTION 3(a)(11) THEREOF AND RULE 147 THEREUNDER, AS PROVIDED IN RULE 147, DURING THE PERIOD IN WHICH NOTES WHICH ARE PART OF THIS ISSUE ARE BEING OFFERED AND SOLD BY THE ISSUER HEREOF, AND FOR A PERIOD OF NINE MONTHS FROM THE DATE OF THE LAST SALE BY THE ISSUER OF SUCH NOTES, RESALES OF THIS NOTE MAY BE MADE ONLY TO PERSONS WHO ARE RESIDENTS OF THE STATE OF CALIFORNIA. THIS NOTE HAS FURTHER BEEN ISSUED PURSUANT TO THE EXEMPTION FROM THE QUALIFICATION REQUIREMENTS OF THE CALIFORNIA CORPORATE SECURITIES ACT OF 1968 PROVIDED BY SECTION 25102(c), 25102(d) and 25102(i) THEREOF. THIS NOTE MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT UPON THE ISSUANCE TO THE ISSUER HEREOF OF A FAVORABLE OPINION OF COUNSEL SATISFACTORY TO IT TO THE EFFECT THAT ANY SUCH SALE, PLEDGE, HYPOTHECATION OR TRANSFER IS NOT IN VIOLATION OF THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, OR THE QUALIFICATION REQUIREMENTS OF THE CALIFORNIA CORPORATE SECURITIES ACT OF 1968.

No. 3069C-

COMMERCIAL ACCEPTANCE CORPORATION
INSURED COLLATERAL TRUST NOTES
 (Interest Payable at Maturity)
 Series 3069C

FOR VALUE RECEIVED, COMMERCIAL ACCEPTANCE CORPORATION, a California corporation (the "Company"), hereby promises to pay to

the principal amount of

or registered assigns,

on June 30, 1989. This Note shall bear interest on the principal balance hereof, compounded quarterly on the 1st day of March, June, September and December, at a rate of 11 1/4% per annum, payable at maturity. If this Note is sold or assigned prior to the date of the last day of the term hereof, it shall bear interest from the date of the sale or assignment until the date of maturity at the same rate as above provided. If this Note is sold or assigned prior to the date of the last day of the term hereof, it shall bear interest from the date of the sale or assignment until the date of maturity at the same rate as above provided. If this Note is sold or assigned prior to the date of the last day of the term hereof, it shall bear interest from the date of the sale or assignment until the date of maturity at the same rate as above provided.

This Note is one of the duly authorized insured Collateral Trust Notes of the Company issued pursuant to, and in accordance with, all the terms and conditions of the Collateral Trust Agreement entered into between the Company and United Security Trust Company, as Trustee, dated as of June 17, 1985 (the "Collateral Trust Agreement"), and by the execution of this Note the holder of this Note agrees to be bound by the terms and conditions of the Collateral Trust Agreement. The holder of this Note is entitled to the benefits of the Collateral Trust Agreement, and the Company shall be bound to perform the obligations of the Collateral Trust Agreement. The Company shall be bound to perform the obligations of the Collateral Trust Agreement, and the Company shall be bound to perform the obligations of the Collateral Trust Agreement.

As provided in the Collateral Trust Agreement, and subject to the conditions to transfer and first payment, upon surrender of this Note for registration of transfer, duly indorsed and accompanied by a written instrument of transfer duly executed by the registered holder hereof or his duly authorized agent, and in the case of a transfer on an appropriate principal amount equal to the principal amount of this Note will be issued to and registered in the name of the transferee, in accordance with the Collateral Trust Agreement. Prior to the completion of registration of transfer of this Note, the Company shall treat the registered holder hereof as the owner of this Note for the purpose of receiving any payment and for all other purposes, and the Company shall not be bound by any notice to the contrary. The Company is required to make payments of the principal amount of this Note, in the circumstances set forth in the terms and conditions specified in the Collateral Trust Agreement.

Upon the occurrence of an Event of Default, as defined in the Collateral Trust Agreement, the principal amount of this Note may be declared immediately payable, upon the occurrence of the event and as so provided in the Collateral Trust Agreement. Unless the Trustee's Certificate and Certificate of this Note has been accepted by the Trustee, it shall not be valid until it has been accepted by the Trustee. It shall not be valid until it has been accepted by the Trustee, and it shall not be valid until it has been accepted by the Trustee.

This Note is made and delivered in Los Angeles, California, and shall be governed by the laws of the State of California.

Los Angeles, California

Trustee's Authentication Certificate

This Note is one of the Notes described in the Collateral Trust

Agreement referred to above. Dated _____, 19____

UNITED SECURITY TRUST COMPANY

By _____

Authorized Officer

COMMERCIAL ACCEPTANCE CORPORATION

Attest:

By _____

Secretary

President

**SMITH & STEPHENS**

Accountancy Corporation 35 SO. RAYMOND AVENUE • SUITE 303 • PASADENA, CA 91105 • (213) 578-1015

Board of Directors
Commercial Acceptance Corporation

We have examined the consolidated balance sheets of Commercial Acceptance Corporation (a California corporation) and subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of earnings, changes in stockholders' equity, and financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Commercial Acceptance Corporation and subsidiaries at December 31, 1984 and 1983, and the results of its operations and changes in its consolidated financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



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Pasadena, California
May 15, 1985

COMMERCIAL ACCEPTANCE CORPORATION AND SUBSIDIARIES

BALANCE SHEET
Years ended December 31,

ASSETS

	1984	1983	1982
Cash (note K)	\$ 1,625,031	\$ 1,166,541	\$ 1,697,651
Receivables			
Loans (notes C and F)	31,723,914	23,777,331	11,755,608
Interest	957,809	914,194	210,231
Loan fees	117,140	—	93,500
Employees	1,150	—	—
	<u>32,800,013</u>	<u>24,691,525</u>	<u>12,059,339</u>
Less allowance for doubtful receivables	135,000	100,000	—
	<u>32,665,013</u>	<u>24,591,525</u>	<u>12,059,339</u>
Prepaid expenses	227,219	75,000	466,434
Real Estate owned (note E)	1,868,258	—	—
Fixed assets - at cost			
Furniture and fixtures	59,723	50,161	37,077
Leasehold improvements	21,735	20,030	19,156
	<u>81,458</u>	<u>70,191</u>	<u>56,233</u>
Less accumulated depreciation and amortization (note A2)	42,877	28,068	21,086
	<u>38,581</u>	<u>42,123</u>	<u>35,147</u>
Deferred taxes (note G)	43,598	—	—
Other assets			
Deposits	890	890	1,579
Organization costs, less accumulated amortization of \$6,677, \$3,064 and \$2,329, respectively	12,000	613	1,348
Other	38,500	—	—
Deferred charges, less accumulated amortization of \$207,908, \$174,893 and \$132,154, respectively (note D)	48,237	81,252	123,991
	<u>99,627</u>	<u>82,755</u>	<u>126,918</u>
	<u>\$36,567,327</u>	<u>\$25,957,944</u>	<u>\$14,385,489</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	1984	1983	1982
Note payable - Stockholder	\$ —	\$ —	\$ 10,000
Notes payable (note F)	30,263,408	21,237,011	12,263,597
Contract payable	—	—	81
Client reserves	1,425,394	600,195	475,412
Accounts payable	152,418	52,131	55,564
Accrued liabilities			
Interest	3,521,636	3,091,128	886,475
Payroll taxes	3,551	5,767	5,689
	<u>3,525,187</u>	<u>3,096,895</u>	<u>892,164</u>
Income taxes payable	168,000	15,558	12,746
Deferred loan fee income (note A4)	282,234	190,081	155,908
Lease commitments (note H)	—	—	—
Deferred taxes (note G)	—	402	402
Stockholders' equity			
Common stock			
Series A—authorized, 30,000 shares; issued and outstanding 17,000 shares	943,592	943,592	943,592
Less treasury stock	(218,623)	(17,000)	—
	<u>724,969</u>	<u>926,592</u>	<u>943,592</u>
Retained earnings (deficit)	25,717	(160,921)	(423,977)
	<u>750,686</u>	<u>765,671</u>	<u>519,615</u>
	<u>\$36,567,327</u>	<u>\$25,957,944</u>	<u>\$14,385,489</u>

The accompanying notes are an integral part of these statements.

COMMERCIAL ACCEPTANCE CORPORATION AND SUBSIDIARIES

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 1984, 1983 and 1982

	Common Stock		Treasury Stock	Contributed Capital	Accumulated Deficit	Total
	Series A	Series B				
Balance at January 1, 1982	\$500,000	\$500	\$ —	\$116,500	\$(436,814)	\$180,186
Transferred to client interest reserve	—	—	—	(46,500)	—	(46,500)
Converted to Series A common stock during the year (note L)	500	(500)	—	—	—	—
Prior period adjustment for additional interest (note M)	—	—	—	—	(112,511)	(112,511)
Additional shares sold during the year (note L)	443,092	—	—	(70,000)	—	373,092
Net earnings for the year	—	—	—	—	125,348	125,348
Balance at December 31, 1982	<u>943,592</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(423,977)</u>	<u>519,615</u>
Shares repurchased during the year	—	—	(17,000)	—	—	(17,000)
Net earnings for the year	—	—	—	—	263,056	263,056
Balance at December 31, 1983	<u>\$943,592</u>	<u>\$ —</u>	<u>\$(17,000)</u>	<u>\$ —</u>	<u>\$(160,921)</u>	<u>\$765,671</u>
Shares repurchased during the year	—	—	(201,623)	—	—	(201,623)
Net earnings for the year	—	—	—	—	186,638	186,638
Balance at December 31, 1984	<u>\$943,592</u>	<u>\$ —</u>	<u>\$(218,623)</u>	<u>\$ —</u>	<u>\$ 25,717</u>	<u>\$750,686</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1984, 1983 and 1982

	1984	1983	1982
Sources of funds			
From operations			
Net income for the year	\$ 186,638	\$ 263,056	\$ 125,348
Items not using (providing) funds:			
Depreciation and amortization	47,824	50,456	61,124
Accounts receivable	—	(610,463)	(237,997)
Prepaid expenses	(152,219)	391,434	(457,394)
Deferred loan fees	92,153	34,173	(4,186)
Accrued liabilities	429,292	2,207,543	808,925
Allowance for doubtful receivables	35,000	100,000	—
Increase in notes payable	9,026,397	8,963,333	7,517,501
Increase in client reserves	825,199	124,783	475,412
Increase (decrease) in accounts payable	100,287	(3,433)	3,580
Increase in deferred taxes	—	—	402
Increase in incomes taxes payable	152,442	—	—
Increase in common stock	—	—	443,092
Decrease in deposits	—	689	3,143
	<u>\$10,742,013</u>	<u>\$11,521,571</u>	<u>\$8,738,950</u>
Applications of funds			
Acquisition of fixed assets	\$ 11,267	\$ 13,958	\$ 14,200
Prior period adjustment	—	—	112,511
Decrease in paid in capital	—	—	116,500
Increase in real estate owned	1,868,258	—	—
Increase in other assets	49,887	—	—
Increase (decrease) in cash	458,490	(531,110)	1,361,476
Increase in loans receivable	8,108,488	12,021,723	7,134,263
Purchase of treasury stock	201,623	17,000	—
Increase in deferred income taxes	44,000	—	—
	<u>\$10,742,013</u>	<u>\$11,521,571</u>	<u>\$8,738,950</u>

The accompanying notes are an integral part of these statements.

COMMERCIAL ACCEPTANCE CORPORATION AND SUBSIDIARIES

STATEMENT OF EARNINGS

Years ended December 31,

	1984	1983	1982
Income			
Interest	\$4,817,656	\$3,281,630	\$1,337,725
Loan fees (note A4)	1,345,647	824,597	424,006
Other fees	—	62,922	36,459
Rental	107,421	—	—
Miscellaneous	—	1,546	—
	<u>6,270,724</u>	<u>4,169,149</u>	<u>1,799,646</u>
Operating expenses			
Interest	4,017,061	2,509,290	1,204,324
General and administrative	<u>1,943,025</u>	<u>1,366,403</u>	<u>920,301</u>
	<u>5,960,086</u>	<u>3,875,693</u>	<u>2,124,625</u>
Operating profit (loss)	310,638	293,456	(324,979)
Other income			
Gain on sale of asset	—	—	463,675
Earnings before income taxes and extraordinary credit	310,638	293,456	138,696
Income taxes			
Federal	100,000	98,000	38,250
State	<u>45,000</u>	<u>30,400</u>	<u>13,348</u>
Earnings before extraordinary credit	<u>165,638</u>	<u>128,400</u>	<u>51,598</u>
Extraordinary credit - tax benefit from net operating loss carryforward (note J)	<u>(21,000)</u>	<u>(98,000)</u>	<u>(38,250)</u>
NET EARNINGS	<u>\$ 186,638</u>	<u>\$ 263,056</u>	<u>\$ 125,348</u>

The accompanying notes are an integral part of these statements.

COMMERCIAL ACCEPTANCE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 1984 and 1983

NOTE A—SUMMARY OF ACCOUNTING POLICIES

A summary of the company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. *Principles of Consolidation*

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, which were established during the year ended December 31, 1984. All significant intercompany transactions have been eliminated.

2. *Depreciation and Amortization*

Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using the straight-line method.

3. *Investment Tax Credits*

Investment tax credits are accounted for by the "flow-through" method. Under this method, credits are recognized as a reduction of income tax expense in the year the credits are realized.

4. *Recognition of Fees on Loans*

The company follows the practice of recognizing income from fees generated from loans using the acquisition factor of 50%-75% plus sum-of-the-digits method over the life of the loan for financial reporting purposes. For income tax purposes, the company follows the practice of recognizing income from fees generated from loans in the year received.

NOTE B—HISTORY OF THE CORPORATION

The company was incorporated in the State of California on October 9, 1979 for the purpose of engaging primarily in the business of making secured term loans collateralized by income producing real estate and other business assets.

NOTE C—LOANS RECEIVABLE

Loans receivable range from 1-5 years and are secured by income producing real estate and other business assets. Interest charged on these loans vary from prime plus 3% to prime plus 6% with a minimum interest rate of 14%. Of the total loans receivable at December 31, 1984 and 1983, \$60,000 were made to companies in which certain stockholders were also stockholders of Commercial Acceptance Corporation and are fully secured by machinery and equipment under the terms of the loan agreements. Additionally, loans totalling \$326,417 at December 31, 1984 and \$301,417 at December 31, 1983, have been made to various officers/stockholders of the company and are fully secured by real estate.

NOTE D—DEFERRED CHARGES

Those costs incurred to date attributable to the offering circulars, collateral trust note and real estate mortgage trust agreements and personal property broker's license have been deferred as they will benefit future operations. These costs are being amortized on a sum-of-the-digits method over the term of the trust notes which are 8 years and 5 years, respectively.

NOTE E—REAL ESTATE OWNED

During the year ended, December 31, 1984, the company through compromise and settlement agreements on two notes receivables took title to various pieces of developed real estate which at present it is holding for investment purposes.

NOTE F—NOTES PAYABLE

The company issued floating collateral trust notes, Series 1980 due December 30, 1988, to various investors collateralized by a pro-rata interest in its commercial loan portfolio. Interest on these loans is at prime plus 1% but not less than 12% per annum.

COMMERCIAL ACCEPTANCE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

December 31, 1984 and 1983

NOTE I—OFFERING CIRCULARS (CONTINUED)

During the year ended December 31, 1984, the company issued the following offering circulars: 1) Collateral trust notes, Series 310, at a maximum of \$10,000,000; 2) Collateral trust notes, Series 110, at a maximum of \$2,500,000; 3) Insured investor notes, Series 630, at a maximum of \$2,500,000; 4) Insured investor notes, Series 640, at a maximum of \$2,500,000; 5) Insured investor notes, Series 650, at a maximum of \$3,000,000; 6) Insured investor notes, Series 665/666, at a maximum of \$2,000,000; 7) Insured investor notes, Series 670/671, at a maximum of \$3,000,000; 8) Insured investor notes, Series 677/678, at a maximum of \$1,000,000; and 9) Insured investor notes, Series 120, at a maximum of \$7,000,000.

The proceeds are derived principally from qualified corporate pension and profit sharing trusts and other institutional investors. The company has entered into indenture agreements with First California Surety Corporation (a wholly-owned subsidiary), Fidelity National Trust Company and California First Bank, respectively, for the protection of investors under each program.

All proceeds are being loaned to client borrowers and are collateralized by income producing real estate and other business assets.

NOTE J—INCOME TAXES

The company did realize a tax benefit during the year ended December 31, 1984 of \$21,000 from its net operating loss carryforward of approximately \$48,000 and unused investment tax credits of \$5,400.

NOTE K—CASH

Included in this balance are undrawn investor funds held in trust by the First California Surety Corporation (a wholly-owned subsidiary), Fidelity National Trust Company and California First Bank. As of December 31, 1984 and 1983, the amount in trust totalled approximately \$1,528,200 and \$1,142,000, respectively.

COMMERCIAL ACCEPTANCE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

December 31, 1984 and 1983

NOTE F—NOTES PAYABLE (CONTINUED)

The company issued real estate mortgage trust notes Series 300/301 to various investors collateralized by real property due October 31, 1984 with interest at 15% per annum. As of December 31, 1984, these notes were paid in full.

The company issued insured investor notes as to interest and principal payments Series 400/401 to various investors collateralized by real and/or personal business property due September 30, 1985 with interest at 13.5% per annum.

During the year ended December 31, 1983, the company issued the following:

1) Insured investor notes as to interest and principal payments Series 500/501 due March 31, 1986 with interest at 11.5% per annum; 2) Insured investor notes as to interest and principal payments Series 510/511 due January 14, 1987 with interest at 11.5% per annum; 3) Collateral trust notes Series 600/601 due July 1, 1984 with interest at 13% per annum paid in full at December 31, 1984; 4) Series 610 due October 31, 1984 with interest at 13.5% per annum; 5) Series 100 due October 31, 1984 with interest at prime plus 1, maximum 18% paid in full at December 31, 1984 and 6) Series 620 due January 31, 1985 with interest at 13.5% per annum.

During the year ended December 31, 1984, the company issued the following: 1) Collateral trust notes, Series 310, due September 30, 1987 with interest at 15% per annum; 2) Insured investor notes as to interest and principal, Series 630, due April 30, 1985, with interest at 12% per annum; 3) Insured investor notes as to interest and principal, Series 640, due July 31, 1985, with interest at 14% per annum; 4) Insured investor notes as to interest and principal, Series 650, due September 30, 1985, with interest at 13% per annum; 6) Insured investor notes as to interest and principal, Series 670/671, due February 28, 1987 with interest at 13¼% per annum; 7) Insured investor notes as to interest and principal, Series 677/678, due March 31, 1986 with interest at 13¼% per annum; 8) Insured investor notes as to interest and principal, Series 120, due April 30, 1990 with interest at 13¼% per annum; and 9) Collateral trust notes, Series 110, due February 14, 1986, with interest at 13¼% per annum.

All of the above mentioned offerings are secured by both real and/or personal business property.

NOTE G—DEFERRED INCOME TAXES

Deferred income taxes are provided for the differences in timing of reporting transactions for financial statements and income tax purposes. The principal cumulative timing differences relate to the recognition of fees on loans as explained in Note A and California franchise tax.

NOTE H—LEASE COMMITMENT

The company currently leases its offices at \$4,100 a month. The lease expires March 31, 1987. Rent expense for the years ended December 31, 1984 and 1983 were \$77,671 and \$22,659, respectively.

NOTE I—OFFERING CIRCULARS

The company had three offering circulars outstanding from prior years at December 31, 1983. A real estate mortgage trust note Series 300/301 to a maximum of \$25,000,000, a floating rate collateral trust note Series 1980 to a maximum of \$20,000,000, and a real estate mortgage Series 400/401 to a maximum of \$5,000,000.

The company, during the year ended December 31, 1983 and six additional offering circulars; notably, insured investors notes Series 500/501 and Series 510/511 at a maximum \$5,000,000 each; collateral trust notes Series 600/601 at a maximum \$1,000,000; collateral trust notes Series 610, Series 100 and Series 620 all at a maximum \$2,500,000 each.

РЕСС КРАИШЕР.

b6
b7C

ron M. Ellsworth and

411 West Seventh Street
Suite 700

90014 LOS ANGELES CALIFORNIA
U.S.A.

Luxembourg, February 24th, 1987

The undersigned was informed by [redacted] that you or any other persons have forged several time my signature. Find enclose a document (Ref.: IRI) which shows clearly that this cannot be my signature.

Please take very urgently position. I decline all liability.
Moreover be informed that I will not anymore do some business
for you in either the insurance field nor any trust work, except
if possible the HRH notes.

Best regards,

[illegible]

AAEP Management

[redacted]
busicorp
12, Centure des Rosiers

H o w a l d
Luxembourg

Zürich, 14th August 1985

Dear [redacted]

b6
b7c

We refer to our yesterday's conversation and confirm our interest in assisting you with the establishment and operation of a reinsurance-company based in Liechtenstein.

Liechtenstein is an excellent location for such an operation and we would like to indicate but a few advantages we can offer. There is certainly the tax-aspect to be considered since Liechtenstein knows only a 4 % withholding tax on dividends paid. The security and stability of the country are excellent. The currency is the strong Swiss franc and access to the Swiss banking system is easy.

We can offer to you as partners for the benefit of your clients our long experience in reinsurance-matters and also in finding tailor-made solutions. We offer you flexibility and access to reinsurance-markets through our worldwide connections.

Enclosed you find a summary about Liechtenstein giving you all the salient features in connection with reinsurance-operations.

Looking forward to continuing our discussions, we remain

yours sincerely,
AAEP MANAGEMENT LTD.

Encl.

00 8482251 Line 1
D 07-Jan-40 18:35 15

LQA

EST 2021 FEB/08/1987

(CO LUWUTB002 PUBLIC TELEX LOS ANGELES CA 02-08 510P PST

1 LUXCO

JRG

[REDACTED]
C. ELLSWORTH, PRESIDENT OF BUSICORP
MAJORITY SHAREHOLDER HAVE NOT AUTHORIZED
TO ACT ON MY BEHALF NOR THAT OF BUSICORP
PARTICULAR [REDACTED] I HAVE NO
VTS AS TO [REDACTED] ADMINISTRATIVE
AND THEREFORE THE IMPROPER ACCUSATIONS
EMPT AT DISTORTING THE FACTS BY [REDACTED]
ALLY SELF SERVING AND WITHOUT JUSTIFICATION.
HAVE ANY QUESTIONS [REDACTED] CONTACT ME
TELY.

b6
b7C

JLY: YOURS,

ELLSWORTH
VT & MAJORITY STOCKHOLDER

SSERS. [REDACTED]
- BEEN PROVIDED A COPY OF THIS TELEX AND ARE
ACCORDANCE.

XCO LU....
INS

ECTED 07-Jan-40 18:37 59

TLX I 100 8482251 Line 1
CONNECTED 07-Jan-40 18:41 02

WUTCO GA

8482251"
IPMLSLB LSA

0008342 EST 2027 FEB/08/1987

2251 LUXCO LUWUTB003 PUBLIC TELEX LOS ANGELES CA 02-08 510P PST
848 2251 LUXCO
LUXEMBOURG

BE ADVISED. THAT WE ACKNOWLEDGE THAT ON AUGUST 22, 1986
BUSICORP BONDS FOR COMMERCIAL ACCEPTANCE CORPORATION
WERE IN EFFECT, CANCELLED, AND SUBSTITUTED BY A NEW
SERIES OF BONDS.

SPECIAL CONSULTANT
COMMERCIAL ACCEPTANCE CORPORATION

2251 LUXCO LU.....
001.3 MINS

DISCONNECTED 07-Jan-40 18:42 45

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U.S. COAL CORPORATION

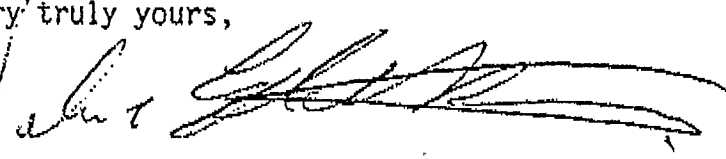
February 9, 1987

[redacted]
Commercial Attache'
Embassy of the United States of America
Luxembourg, Luxembourg

Dear [redacted]

Enclosed are copies of the two telexes sent to [redacted] reference the [redacted] situation. I am sorry that you and your colleagues had to be bothered with this matter, but I can only assure you as our telexes indicate that we are quite satisfied with [redacted] representation with us.

Very truly yours,


John C. Ellsworth
Chairman of the Board

JCE/ce

b6
b7C

411 West 7th Street • Suite 800 • Los Angeles, California 90014 • (213) 624-8688

12, Ceinture des Rosiers · Howald
Téléphone 49 31 97
Telex 2251 luxco

BGL 30-249 940-05

busicorp

XXX S.A.

Luxembourg, le February 24th, 1987

Mr John C. Ellsworth

411 West Seventh Street

LOS ANGELES, California 90014

U.S.A.

EXPRESS

Dear Mr Ellsworth,

Referring to your different telexes and letters send to the US Embassy, the luxemburgish Member of Board side's like to clarify and point out that we have never given any agreement to issue bonds nor are we aware of suche ones. As you know we attempt to create and find a solution to your actual problems. As far as we see is solution still the best one which you and CAC accepted. We don't want to be liable for any misuse of stationary or of a misleading committment. No reinsurance coverage does exist.

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b7c

Best regards.

the liquidator

Copy to CAC, Los Angeles

Commercial Acceptance Corporation
September 23, 1987
Page Two

Section 7.7 of the Agreement provides that, in the event certain collateral for all Insured Collateral Trust Notes issued pursuant to the Agreement is less than 90% of the aggregate unpaid principal balance of such notes, CAC shall deliver to UST sufficient additional collateral to correct such deficiency. Please immediately advise us in writing of (i) whether such depletion of collateral resulted from the failure of U.S. Coal Corporation to pay certain principal and interest due June 30, 1987 on certain promissory notes pledged by CAC to secure payment of the Notes and (ii) if such depletion of collateral has occurred, the course of action you are taking or propose to take to comply with your obligations under Section 7.7 to provide additional collateral.

Section 8.2(c) of the Agreement provides that UST may, and upon the written request of holders of a majority in aggregate principal amount of the Insured Collateral Trust Notes issued pursuant to the Agreement shall, among other things, exercise all rights for the protection and enforcement of its rights in respect of the collateral for such notes. In order to enable us to perform our duties under Section 8.2(c), please immediately provide us with all information you possess concerning the Pledged Notes, Pledged Note Guarantees and Pledged Note Security Documents (as defined in the Agreement) including, but not limited to, appraisals of the collateral covered by the Pledged Note Security Documents and financial information concerning the borrowers.

We understand that you believe that (i) a default with respect to any series of Insured Collateral Trust Notes does not entitle UST or the holders of any other series of such notes with respect to which no Event of Default has occurred to take any action with respect to such other series of notes and (ii) collateral pledged to UST in connection with the issuance of one series of Insured Collateral Trust Notes does not constitute security for any other such series. In particular, you assert that UST is neither obligated nor entitled (i) pursuant to Section 9.8 of the Agreement to notify the holders of any series of such notes with respect to which no Event of Default has occurred of the aforementioned Event of Default with respect to the Notes nor (ii) pursuant to Section 8.2(a) of the Agreement to declare the entire principal amount of such non-defaulting notes immediately due and payable nor (iii) pursuant to Section 8.2(c) of the Agreement to take any action with respect to collateral pledged to UST in connection with the issuance of such

) SECURITY TRUST

Commercial Acceptance Corporation
September 23, 1987
Page Four

(ii) We currently are notifying all holders of the Notes, including those who have expressed a desire to reinvest the principal of and accrued interest on the Notes, of such Event of Default and of a meeting of such holders to discuss the Event of Default on Wednesday, September 30, 1987 at 9:00 a.m. at the law firm of Manatt, Phelps, Rothenberg & Phillips located at 11355 West Olympic Boulevard, Tenth Floor, Los Angeles, California, 90064; and

(iii) We currently are notifying International Reinsurance of Luxembourg S.A. of such Event of Default and making demand for payment of all amounts past due.

If you have any questions with respect to the foregoing, please do not hesitate to call either the undersigned or Hugh Ogilvie at (805) 963-9751.

Very truly yours,
UNITED SECURITY TRUST CO

[Redacted Signature Block]

[Redacted Block]

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cc: [Redacted]

[Redacted]

ITED SECURITY TRUST

UNITED SECURITY TRUST

September 22, 1987

SENT VIA EMERY WORLDWIDE

IRI RE - Insurance For International
Business, Ltd.
Aeulestrasse 5
FL-9490 Vaduz
Luxembourg
Attn: [REDACTED]

b6
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Re: Notice of Event of Default
and Demand for Payment

Gentlemen:

Notice hereby is given that Commercial Acceptance Corporation ("CAC") has failed to pay an aggregate of \$1,607,068.90 of principal and interest due on June 30, 1987 on those certain Insured Collateral Trust Notes Series 1067I, 1067C, 681 and 682 (collectively, the "Notes") issued pursuant to that certain Collateral Trust Agreement dated June 17, 1985 between CAC and United Security Trust Company as Trustee ("USTC").

Demand hereby is made for the immediate payment in full of the foregoing amount pursuant to that certain Interest and Principal Surety Bond issued by Busicorp S.A.R.L.

Sincerely,
UNITED SECURITY TRUST CO.

[REDACTED]

[REDACTED]

[REDACTED]

UNITED SECURITY TRUST

September 22, 1987

SENT VIA EMERY WORLDWIDE

International Reinsurance of Luxembourg S.A.
12, Ceinture des Rosiers, Howald
Luxembourg
Attn: [REDACTED]

b6
b7c

Re: Notice of Event of Default
and Demand for Payment

Gentlemen:

Notice hereby is given that Commercial Acceptance Corporation ("CAC") has failed to pay an aggregate of \$1,607,068.90 of principal and interest due on June 30, 1987 on those certain Insured Collateral Trust Notes Series 1067I, 1067C, 681 and 682 (collectively, the "Notes") issued pursuant to that certain Collateral Trust Agreement dated June 17, 1985 between CAC and United Security Trust Company as Trustee ("USTC").

Demand hereby is made for the immediate payment in full of the foregoing amount pursuant to that certain Interest and Principal Surety Bond issued by Busicorp S.A.R.L.

Sincerely,
UNITED SECURITY TRUST CO.

[REDACTED]
[REDACTED]

[REDACTED]

UNITED SECURITY TRUST

September 22, 1987

SENT VIA EMERY WORLDWIDE

Assurances Reunies Du Luxembourg
Boite Postale 2436
1024 Luxembourg
Attn: [REDACTED]

Re: Notice of Event of Default
and Demand for Payment

Gentlemen:

Notice hereby is given that Commercial Acceptance Corporation ("CAC") has failed to pay an aggregate of \$1,607,068.90 of principal and interest due on June 30, 1987 on those certain Insured Collateral Trust Notes Series 1067I, 1067C, 681 and 682 (collectively, the "Notes") issued pursuant to that certain Collateral Trust Agreement dated June 17, 1985 between CAC and United Security Trust Company as Trustee ("USTC").

Demand hereby is made for the immediate payment in full of the foregoing amount pursuant to that certain Interest and Principal Surety Bond issued by Busicorp S.A.R.L.

Sincerely,
UNITED SECURITY TRUST CO.

[REDACTED]

[REDACTED]

[REDACTED]

UNITED SECURITY TRUST

October 28, 1987

SENT VIA EMERY WORLDWIDE

International Reinsurance of Luxembourg S.A.
12, Ceinture des Rosiers, Howald
Luxembourg
Attn: [REDACTED]

Re: Notice of Event of Default
and Demand for Payment

Gentlemen:

Notice hereby is given that Commercial Acceptance Corporation ("CAC") has failed to pay an aggregate of \$6,054,940.08 of principal and interest due on September 30th, 1987 on those certain Insured Collateral Trust Notes Series 1097C, 1097I, 2097C, 2097I, UST1C and UST1I (collectively, the "Notes") issued pursuant to that certain Collateral Trust Agreement dated June 17, 1985 between CAC and United Security Trust Company as Trustee ("USTC").

Demand hereby is made for the immediate payment in full of the foregoing amount pursuant to that certain Interest and Principal Surety Bond issued by Busicorp S.A.R.L./Assurances Reunies du Luxembourg/IRI RE - Insurance For International Business, Ltd./International Reinsurance of Luxembourg S.A.

Sincerely,
UNITED SECURITY TRUST CO.

[REDACTED]

[REDACTED]

[REDACTED]

87-11-05 18:38 M.R.S. HOLZEN/LUXEMBOURG (38721) P.124
META RECOVERY SYSTEMS A.

INFOED TRANSMITTAL FORM

b6
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b7D

DATE: 5th of Nov. 1987

PAGES: 3 (not including this page)

[REDACTED]
FROM: METAL RECOVERY SYSTEMS S.A., HOLZEN/LUXEMBOURG

TO: F.B.I., Santa Barbara, C.A.

ATT.: Special Agent [REDACTED]

Dear [REDACTED]

enclosed copies of 2 letters sent to
3rd parties. According to our information

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Will keep you informed.

Respectfully

[REDACTED]

To.: Special Agent [redacted]
FBI SANTA BARBARA

b6
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from: [redacted] c/o Metal Recovery Systems
22, rue de Capellen, L-8279 Holzem/Luxembourg

Hotel Address: Hotel Intercontinental, Luxembourg

previous private address: [redacted]
[redacted]

new address: [redacted]

phone-numbers: Luxembourg area and country-code 352
number: [redacted]

Addresses and phone numbers to be referred to later:

[Large redacted area]

Again dear [redacted]

above mentioned the relevant involved addresses. Due to the fact that it is quite late, I just give the the first set of relevant informations without further comment. If comments are necessary, we will be helpfull to serve. Be aware that according to my informations the FBI in Paris-office shall

be completely aware of the whole situation.

If you like to re-telefax, please use the number luxembourg 38367, this is by near building,. as our fax is connected over the switch board and cannot actually be reached directly.

[Redacted]

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[Redacted]

[Redacted]

The [Redacted] rit [Redacted] 4th of november, 1987 0:50 hours lux-
tit [Redacted] tra [Redacted] ion time according to fax.

By: [Redacted]

Agreed to text:

[Redacted]

[Redacted]

signed in m [Redacted] resenc [Redacted]

[Redacted]

Memorandum



To : SAC, LOS ANGELES (196A-4834) (WCC-1) (Dat)

12/2/87

From : SRA [REDACTED]

b6
b7C

Subject : JOHN C. ELLSWORTH;

[REDACTED]
dba COMMERICAL ACCEPTANCE CORPORATION
FBW; MF; ITSP
OO: LOS ANGELES

On 11/3/87, [REDACTED] (PROTECT), a cooperating witness, with whom I have had previous contact in another investigation, advised that [REDACTED]

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According to [REDACTED]

[REDACTED] subsequently, furnished the attached documents by facsimile.

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The same date, [REDACTED] Attorney, Santa Barbara, advised that he represents UST and that there is a possibility of a fraud, however there will be a meeting of investors at the Hyatt Hotel in Los Angeles, in the near future and at the time of the call, [REDACTED] did not feel there was sufficient information to refer the matter to the FBI for investigation.

[REDACTED]
(2)

196A-4834-16

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 2 1987	
FBI - LOS ANGELES	

[REDACTED]

On 11/16/87, [] again called and advised that he had been in touch with []

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[] advised that []

[] was advised that any meeting would have to be arranged between him and the other parties involved and that the FBI was not going to get in the middle of such a situation and that as far as I knew, there were no warrants outstanding for either []

On 11/17/87, [] advised that [] of the California Corporate Commissioners Office (CCCO) in Los Angeles, telephone (213) 736-2710, had obtained many of the records and may be conducting her own investigation.

A short time later, a number of documents were received from [] via facsimile and these are attached to this memo.

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On 11/17/87, []

He explained that the investors in this matter, consist of ERISA QUALIFIED PENSION PLANS, who invested funds through UST, which is chartered by the California State Banking Department. UST really has the role of a trust agent and in fact the middle man between the investors and borrowers is actually CAC. The role of UST is to insure that all the documentation for the investments is in order. Money from the investors, passes through CAC to UST. CAC actually locates borrowers, qualifies the borrowers and puts together a necessary trustdeeds, promissory notes, and title checks necessary to insure the collateral of the investors.

CAC then assigns a beneficial interest to UST and the money is released to the borrowers through CAC. The investor then gets an insured collateral trust note of the face value of the investment plus interest which is paid at a percentage higher than certificates of deposit. In fact, the loans made in such a way, are generally over collateralized. [] estimated that more than \$50,000.00 in such investments have passed through CAC.

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[] has learned that CAC has been in business since 1979, and that a number of other trustees have been used prior to UST. [] has also learned that CAC is a front for ELLSWORTH and that borrowers affiliated with ELLSWORTH have received about \$30,000,000.00 of loan proceeds out of the slightly more than \$50,000,000.00 handled. UST is a relatively new company which got in touch with CAC through [] who knew [] [] UST has no errors or omissions insurance.

[] explained that the investments handled by CAC were in blocks which matured at different times, some of which were payable monthly or quarterly. CAC has been operating about 30 days behind on a cash basis and recently changed to quarterly payments of interest due. On or about June 20, 1987, UST received word that CAC may have trouble paying the interest payment due at that time, about 1.6 million dollars, and on 7/3/87, UST began pressing CAC for the payment. At that time, UST found out that a major borrower, U.S. COAL gave CAC 1.3 million dollars in sight drafts which were subsequently turned over to UST. These were drawn on a Belgium bank, and would have taken about two months to clear. CAC was found to have a cash flow problem and defaulted on a series of payments which were due to investors. Investors were told of the shortfall and subsequently in early September of 1987, the checks drawn on the Belgium bank bounced.

U.S. COAL was found to be company owned or controlled by ELLSWORTH who told investors that they were going through a temporary cash crunch and he produced a letter of some sort from a Greek who was supposed to put 5 million dollars in capital in U.S. COAL. At this time, UST looked to the insurer of the loans, BUSICORP which subsequently reinsured 80% of the risk through a large pool of insurance companies. After BUSICORP was liquidated, the insurance was supposedly handled by a company known as IRI. Later it was discovered that ELLSWORTH had a link to BUSICORP as well as ELLSWORTH was leasing office space from CAC. Subsequently, [] determined that both BUSICORP and IRI were dissolved and the assets went to ELLSWORTH. A check with companies with supposedly issued reinsurance through BUSICORP or IRI revealed that they never heard of such insurance.

[] checked some of the collateral which was supposed to be backing some of these loans and determined that about \$20,000,000.00 went to [] who was an associate of ELLSWORTH. They determined that 22 acres of land south of Anchorage, in Alaska, near the Gridwood Portage area was purchased for about \$20,000.00 and the same day, CAC used that as collateral valued at \$550,000.00. Another piece of collateral was 116 acres on Jacobson Lake in Alaska, on which CAC loaned 19.5 million dollars and it was found to be unimproved property with a tax value of \$500,000.00 and a possible maximum value of 2.5 million dollars. b6 b7C

[] determined that [] is gone, his post office box in Alaska is closed, and he was involved in [] was found to be [] and [] feels that he is nothing more than a stooge for ELLSWORTH.

[] described ELLSWORTH as follows:

Sex	Male
Race	White
Age	About 45
Height	6' tall
Pounds	250 pounds
Hair	Brown hair and speaking with a New York accent

According to [] CAC will be taken over by a receiver on or about November 18, 1987.

[] advised that he would cooperate in any way he could and furnish whatever information he might have in order to assist the FBI if an investigation was conducted.

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[REDACTED]

November 25, 1987

[REDACTED]
FBI-17th Floor
11000 Wilshire Blvd.
Los Angeles, California 90024

Dear [REDACTED]

Enclosed please find the latest communications from Commercial Acceptance Corporation. After my wife and I have visited the office of UST in Santa Barbara, [REDACTED] comments seemed to be entirely accurate. UST's financial statement is certainly one of insufficient capitalization.

I do hope that these communications are of some assistance to you.

Sincerely
[REDACTED]

Commercial
Acceptance
Corporation

November 20, 1987

Dear Investor:

As you are probably not aware we were not allowed in to the most recent meeting of UST at the Hilton Hotel. Consequently, most of what we have heard about the meeting is heresay and therefore I will not dwell on it.

What is more important for your information is that we appeared in Superior Court against the Corporation Commission Counsel, [redacted] and we feel that the outcome was favorable to CAC.

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As our statements are certified each year it is relatively easy for the State or anybody else to investigate a paper trail that will substantiate our current financial position. You by now have received a copy of UST's financial statement it must be very apparent to you that they are in deep financial difficulty.

We hope that on December 8th when an additional hearing will be held in Superior Court that these matters will be settled and that disposition of the collateral will bring sufficient funds to pay all investors.

It seems that almost every statement emanating from UST is a contradiction of a former oral or written statement. According to what I read in the paper, our Trustee is purportedly stating that he has no responsibilities whatsoever or is it he does not understand them? I am enclosing an example in the attached letter to a potential client signed by [redacted]

I have purposely stayed away from trying this case in a public newspaper as newspapers are not legal documents. However, I would like to make a few statements.

We set up a wholly owned subsidiary at the suggestion of a prominent law firm to handle repossessed properties. We also entered into two joint ventures. I am sure you are aware of these facts as they are included in our audited financial statements. Yet, the connotation is that we have set up companies and lent the money to ourselves. This is a gross distortion. We are also unaware that it is illegal or unlawful for a borrower to be in the same commercial building.

We will keep you informed ~~as~~ events move forward.



Commercial
Acceptance
Corporation

November 20, 1987

Dear Investor:

I have just received a copy of the ballot presented by UST to CAC investors at their last meeting at the Hilton Hotel on Wednesday. On the left side of this ballot it shows [redacted] representing his corporation and on the right side of the ballot it shows my name representing CAC. An obvious attempt to indicate to the investors that I was part of the ballot and endorsing this ballot.

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I intend to take full legal action in connection with the above.

In another part of the ballot it is stated that there would be such a thing as priority payment to the investor following the instructions of his ballot. As you are fully aware there can be no priority payment and this is in total contradiction to both our Offering Circulars and Collateral Trust Agreement.

[redacted] and his groups' actions seem to disregard entirely the legal and procedural methods in overcoming current problems.

[redacted] represents Sanwa Bank and other Japanese concerns and his suggestion is not only illegal but detrimental and would have a fortitudinous effect on an orderly disposition of collateral.

Every investor will be paid in an orderly fashion related to his investment and certainly not on a priority basis.

On the second page is listed CAC Credited Committee Trust Account which obviously ties in with my name. There is no authorization with CAC or its' lawyers to use this name.

I am thoroughly disgusted with UST and [redacted] rather fraudulent attempt to secure your vote. Their misrepresentation has been rampant and in their lawyers quest for more monies to effect a solution to our problem seems self-evident.

We expect to have this case resolved in very short order pending the December 8th court appearance.

In the interim may I suggest that you ignore current or any further attempts by UST to take money or harm in any manner your current position as an investor.

Sincerely,



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[REDACTED]

NOVEMBER 23, 1987

[REDACTED]
FBI-17th Floor
11000 Wilshire Blvd.
Los Angeles, Ca. 90002

Dear [REDACTED]

Enclosed please find a letter from me to our attorney, [REDACTED]
[REDACTED] a copy of the resume of our meeting called by UST
on November 18, 1987 and a letter from [REDACTED] President
of CAC addressed to all investors. Enclosed also is a letter
from the CAC Creditors' Committee requesting funds to support
the collection of our funds.

Sincerely,

[REDACTED]

[REDACTED]

Commercial
Acceptance
Corporation

November 17, 1987

Dear Investor:

We have endeavored to work with United Security Trust Co. ("UST") in an attempt to solve our mutual problems. As of this date all efforts have been to no avail. UST has been offered opportunities to review our loan files and collateral. Instead they continue to take everything out of context and paint a most negative picture. For example, we have presented to the California State Auditors an MAI appraisal of \$28,000,000.00 of two large parcels of the various Alaskan properties.

UST continues to misconstrue statements made by CAC. At no time did CAC demand the investigators removal, but suggested that [redacted] had prejudiced herself by her verbal assault. [redacted] had communicated with [redacted] prior to the November 6th date. (See attached letter)

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UST has alledged that California First Bank and Industrial Indemnity are holding less collateral than we have stated to you. We recommend that you refer to case #87-0721 W.M.B. in Federal Court. Again the facts were mistated. Documents were received and notarized on October 28, 1987 and it was still not determined that California First Bank's documents had been recorded as of the November 4th meeting. As noted in our lawsuit, this collateral was promised on or about July 7th. As to the value of the collateral there is approximately \$15 million in question as noted in the lawsuit and settlement agreements of July 7. By the way, at the time of signing on July 7, Industrial Indemnity received a check from the bank for \$12,251,004.89 which had been in the trusts in question for over a year. Not one investor lost a dime.

Due to a letter to CAC's borrowers from the Trustee regardless of the Series, default, current status etc. they demanded that payment be sent directly to them. CAC is concerned because the Trustee has failed to reconvey the borrowers collateral upon full payment of principal by the borrower. In an effort to handle borrower payments (borrowers are reluctant to pay without proper reconveyance) an Attorney Trust Account to hold principal and interest payments has been established to ensure proper disbursements.

As to insurance, CAC has made available to the California Department of Corporations the relevent documentation.

November 17, 1987
Page 2

It has come to our attention that UST has paid legal and other expenses from Trust funds (see attached letter) which are unauthorized by CAC. These funds were to be paid to investors. Extensive damage to our business caused by UST and the soap opera atmosphere has left no alternative but to file a lawsuit against UST.

After reviewing their financial statement (see attached) it appears that UST's motives are obvious. They can not repay their loan to CAC, which would be returned to investors as well as to continue to operate without asking the investors to pay thier overhead.

We want you to know that Commercial Acceptance Corporation is doing everything in its power to honor its obligations to investors. We are working in a business like fashion to turn the collateral into cash for payment.



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A-F- ASSOCIATES, LIMITED
1437 LA PERLA
LONG BEACH, CA. 90815

November 19, 1987

TO: CAC NOTEHOLDERS
FROM: CAC CREDITORS COMMITTEE IN FORMATION

All of you have received a ballot concerning the formation of a creditors committee empowering them to take certain steps on behalf all of the noteholders and requesting an assessment of one-half percent of the principal amount due and owing to you.

According to United Security Trust, the principal amount due and owing to you is 434,862.19 and, therefore, your one-half percent assessment equals 217,431.10.

We are requesting that checks be made payable to: CAC Creditors Committee Trust Account and mailed to CAC Creditors Committee c/o Tilles & Webb, a Law Corporation, 6320 Commodore Sloat Drive, Los Angeles, California 90048.

All such monies received will be deposited into a trust

for the benefit of the creditors of the company.

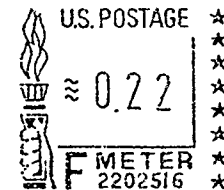
Page 2

You should also understand that these funds will be held pending the creditors committee application to the Department of Corporations for a permit to obtain and utilize funds in connection with recovering assets belonging to the investor note-holders. If for some reason the permit that is being requested from the Department of Corporations is not granted, all funds will be immediately returned.

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UNITED SECURITY TRUST
1123 Chapala St.
P.O. Box 22108
Santa Barbara, CA 93121



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[REDACTED]

November 23, 1987

[REDACTED]

Dear [REDACTED]

Enclosed please find a copy of the billing from the CAC Creditors' Committee in formation which was mailed in United Security Trust envelope from Santa Barbara.

I feel that this is evidence of very definite conflict in interest since UST is in default on a note to Commercial Acceptance Corporation. Eventhough UST, by their minutes of the meeting dated November 13, 1987 stated that they would explain their obligations at the next general meeting, they refused to do so. I do not feel that an organization that is in itself in default should be acting as my agent to collect funds due me.

[REDACTED] likewise, as we have discussed certainly appears to have a definite conflict of interest as legal council for this organization since he also represents Profit and Pensions Plans who have monies invested in this program.

I do feel that a letter from you is in order to [REDACTED] as chairman of the Creditors' Committee informing him of the above. I also feel that copies of these documents and your letter should be sent to [REDACTED], California Corporation Commissioner and also to the FBI agent investigating this case.



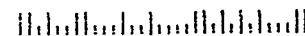
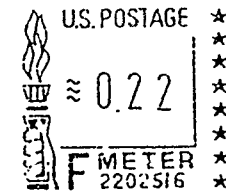
Page 2

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I still feel very strongly that I should be a member of the Ad Hoc Committee because of the amount of money I have invested and I also feel that the Ad Hoc Committee should obtain independent counsel to handle this matter as soon as possible.



UNITED SECURITY TRUST
1123 Chapala St.
P.O. Box 22108
Santa Barbara, CA 93121



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LA 196A-4834

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On December 11, 1987, a [redacted] contacted
Special Agent [redacted] to advise that [redacted] and
[redacted] were arrested in Luxembourg for questioning re-
garding the BUSICORP matter. According to [redacted]

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196A-4834-20

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/15/87

On December 9, 1987, [redacted] telephonically contacted Special Agent [redacted] to advise that [redacted] and [redacted] were arrested in Europe regarding the BUSICORP transaction. [redacted] stated that [redacted]

[redacted]

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Investigation on 12/9/87 at Los Angeles, California File # LA 196A-4834-21

by SA [redacted]

Date dictated _____

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/13/87

[redacted]
[redacted] was interviewed by previous appointment at the FBI office, Los Angeles:

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He advised that he is a Financial Advisor with the above company and has been so employed since [redacted]

He was previously a Financial advisor with a similar company in Houston, Texas.

While in Houston, he became aware of COMMERCIAL ACCEPTANCE CORPORATION (CAC), 411 W. 7th Street, Suite 700, Los Angeles, California as a company offering investments in "Insured Collateral Trust Notes" whereby investors were issued these notes and would be paid interest quarterly.

[redacted] COMMERCIAL ACCEPTANCE CORPORATION (CAC), [redacted] [redacted] would in turn loan the investors funds on real estate projects.

The investors' funds were allegedly insured by an "Interest and Principal Bond" issued by BUSICORP S.A.R.L., Luxembourg, as agent for INTERNATIONAL REINSURANCE of Luxembourg.

[redacted] stated he checked on the existence of the LUXEMBOURG company and found it existed.

He then provided the name of CAC to approximately three of his clients.

The clients contacted CAC and representatives flew out from Los Angeles and had a meeting with the clients and they collectively invested \$1.2 million.

UNITED SECURITY TRUST, [redacted] in Santa Barbara, California, was the Trust company, which was to handle the disbursement and interest on the notes to the investors.

In July, 1987, his clients began to call [redacted] as they had not received their payments due on 6/30/87.

Investigation on 11/10/87 at Los Angeles, California File # LA 196A-4834 -22

by SA [redacted] Date dictated 11/11/87

LA 196A-4834

Continuation of FD-302 of [REDACTED], On 11/10/87, Page - 2 -

[REDACTED] called UNITED SECURITY TRUST, telephone (805) 963-9751, and was told that COMMERCIAL ACCEPTANCE CORPORATION had not furnished them the money to disburse; approximately \$1.6 million was due to all investors including his clients.

[REDACTED] UNITED SECURITY TRUST, also told him that the Luxembourg company, INTERNATIONAL REINSURANCE had closed down.

[REDACTED] also told him that he had found out that JOHN ELSWORTH, who owned U.S. COAL and several other companies had been the principal borrower (approximately 80% of the funds) taken in by COMMERCIAL ACCEPTANCE CORPORATION and was also listed as President of INTERNATIONAL REINSURANCE.

An additional \$13-15 million in interest was due in 9/30/87 and was not paid.

[REDACTED] has already talked to [REDACTED] CALIFORNIA DEPARTMENT OF CORPORATIONS, [REDACTED] at her office. She told him that she has an extensive file on this matter and showed him a large stack of foreclosure notices on real estate for which COMMERCIAL ACCEPTANCE CORPORATION or ELSWORTH had defaulted on payments.

[REDACTED] also showed him investigation concerning an Alaska property which had been purchased for approximately \$50,000 and mortgaged for \$450,000. This property is 20 feet under water at high tide.

[REDACTED] provided 2 pamphlets entitled "Collateral Trust Agreement between COMMERCIAL ACCEPTANCE CORPORATION and UNITED SECURITY TRUST, dated 6/17/85, and COMMERCIAL ACCEPTANCE CORPORATION insured Collateral Trust Notes, Series 2078F (Supplement and Addendum to Offering Circular) which contains Consolidated Statements Auditors Report for 1984, 1983 and 1982.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/20/87

On November 18, 1987, [REDACTED]

[REDACTED] telephonically contacted SA [REDACTED]
[REDACTED] stated he [REDACTED]
and dealt personally with JOHN ELLSWORTH, [REDACTED]
[REDACTED] stated he would be willing to talk
to the FBI regarding his association with CAC.

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Investigation on 11/18/87 at Los Angeles, California File # LA 196A-4834-23
by SA [REDACTED] Date dictated 11/19/87

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/15/87

On December 14, 1987, SA [] conducted a telephone conversation with an [] Luxembourg, telephone [] told SA [] that he decided to cooperate regarding any investigation regarding COMMERCIAL ACCEPTANCE CORPORATION (CAC). JOHN ELLSWORTH, [] SA [] told [] that no promises would be furnished to him regarding his status in the prosecution. [] stated he understood this and furnished the following information:

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[] stated that BUSICORP is a corporation run by [] in order to act as an agent to incorporate other companies and corporations. Sometime during 1985, []

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According to [] ELLSWORTH wanted to insure financial guarantees offered by CAC. ELLSWORTH told [] that he was one of the share-holders of CAC. [] are officers of CAC, according to []

At one point [] and an attorney traveled to []

[] stated that [] were all members of the board of BUSICORP, and that ELLSWORTH was the Director and President. [] stated that [] and ELLSWORTH were very close friends, and that [] were also close to ELLSWORTH.

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[] stated that sometime during the middle of August, 1986, [] in []

Investigation on 12/14/87 at Los Angeles, California File # LA 196A-4834-24

by SA [] Date dictated 12/14/87

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LA 196A-4834

Continuation of FD-302 of [REDACTED], On 12/14/87, Page - 2* -

Lichtenstein. [REDACTED] stated that IRI was established in order to purchase insurance. To [REDACTED] knowledge no actual insurance was purchased through the IRI entity.

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[REDACTED] stated that [REDACTED]
[REDACTED]
[REDACTED] it was decided that a more
in-depth interview would be conducted.

[REDACTED] stated that he [REDACTED]
[REDACTED]

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/15/87

On December 14, 1987, [redacted] telephone [redacted] conducted a telephonic conversation with SA [redacted] stated that he was desirous of cooperating with the FEDERAL BUREAU OF INVESTIGATION (FBI) regarding any investigations regarding COMMERCIAL ACCEPTANCE CORPORATION, (CAC), JOHN ELLSWORTH and others. [redacted] was advised that no promises were being made to him regarding his status in the investigation and any future prosecution. After being advised of the identity of the interviewing Agent, [redacted] furnished the following information:

During 1985, [redacted] stated that [redacted] JOHN ELLSWORTH and [redacted] were all members of the board of BUSICORP, a Luxembourg corporation set up primarily to act as the agent to incorporate other entities. [redacted] stated that ELLSWORTH was the President of BUSICORP. [redacted] stated that he also became associated with a [redacted] who were principals of CAC. ELLSWORTH represented to [redacted] that he was the main shareholder of CAC, and that ELLSWORTH was charged by the Directors of CAC to acquire reinsurance for investments offered by CAC. [redacted] stated that no insurance was ever issued by BUSICORP. [redacted] did state that there is [redacted]

[redacted] Since ELLSWORTH represented that he was a major share-holder of CAC, [redacted] believed ELLSWORTH had thus placed money into CAC.

[redacted] stated that a [redacted]

[redacted]

[redacted]

Investigation on 12/14/87 at Los Angeles, California File # LA 196A-4834 25

by SA [redacted] Date dictated 12/14/87

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LA 196A-4834

Continuation of FD-302 of [REDACTED], On 12/14/87, Page - 2* -

[REDACTED] stated that [REDACTED]
[REDACTED]
[REDACTED] a more in-depth
interview would be conducted.

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[REDACTED] stated that [REDACTED]
[REDACTED] CAC
and ELLSWORTH.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/14/87

On December 9, 1987, [REDACTED]

[REDACTED] telephone [REDACTED]

[REDACTED] voluntarily furnished the following information regarding

[REDACTED] dba COMMERCIAL ACCEPTANCE CORPORATION (CAC), and JOHN ELLSWORTH. After being advised of the identity of the interviewing agent, [REDACTED] furnished the following information:

[REDACTED] advised that on several occasions he had [REDACTED]
[REDACTED]

Some time during [REDACTED] met with JOHN ELLSWORTH who described himself as a principal of several corporations, such as DESERT MARVEL. According to [REDACTED] ELLSWORTH did not represent himself as a principal of CAC. [REDACTED] however, met with ELLSWORTH [REDACTED]

[REDACTED]

Investigation on 12/9/87 at Los Angeles, California File # LA 196A-4834by SA [REDACTED]

Date dictated _____

LA 196A-4834

Continuation of interview of [REDACTED]

, Page 2

[REDACTED] further stated that on occasion he would receive information regarding CAC from [REDACTED]. This information would be regarding CAC investments which were primarily in real estate.

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In other conversations with [REDACTED] both stated that BUSICORP was being incorporated to provide reinsurance for CAC investments and investment accounts. [REDACTED] stated that CAC had various investment pools wherein each pool represented a different type of investment. BUSICORP was to be established to provide insurance for at least one of these investment pools. [REDACTED]

[REDACTED] was under the impression that ELLSWORTH was acting as an advisor to [REDACTED] and CAC.

Sometime during [REDACTED]

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A short time later [REDACTED] met with an individual by the name of [REDACTED]. [REDACTED] stated that under Luxembourg law a re-insurance corporation is required to have a certain ratio of capital to insurance available in order to offer insurance and reinsurance.

[REDACTED] stated that the

LA 196A-4834

Continuation of interview of

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officers of BUSICORP

At this meeting

It was during this

did not mention to if he had
received any funds from CAC.

stated that in other conversations with
both stated that they were

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stated that as of

furnished a copy of the attached

FEDERAL BUREAU OF INVESTIGATION

12/21/87

Date of transcription

On December 16, 1987, JOHN ELLSWORTH, 411 West 7th Street, Los Angeles, California, was interviewed in the presence of his attorney, [REDACTED] ELLSWORTH was advised that he was being contacted regarding his association with a firm entitled COMMERCIAL ACCEPTANCE CORPORATION (CAC). ELLSWORTH was advised that the FBI was conducting a criminal investigation and that ELLSWORTH is considered a target of the investigation. After being advised of the identity of the interviewing agents, ELLSWORTH furnished the following information:

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ELLSWORTH was introduced to [REDACTED] of CAC, in approximately September of 1984 through an individual by the name of [REDACTED] During this initial meeting, ELLSWORTH also met an individual by the name of [REDACTED] who was introduced to him as [REDACTED] of CAC. [REDACTED] told ELLSWORTH that CAC was a firm that furnished project loans to various corporate entities. ELLSWORTH at the time had several corporations which required funding. ELLSWORTH stated that during his association with CAC he had a line of credit for each individual project which would be scrutinized by CAC prior to opening the line of credit for that particular project. ELLSWORTH stated that he received a total of approximately \$11.8 million in loans for the various entities or projects in which ELLSWORTH was involved. ELLSWORTH further stated that [REDACTED] told ELLSWORTH that the CAC funds were obtained from pension funds located throughout California.

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Sometime during the end of 1985, ELLSWORTH met two individuals by the name of [REDACTED] who ran a company called BUSICORP located in Luxembourg. BUSICORP was a business service company established to act as an entity to incorporate foreign corporations. At the time [REDACTED] and [REDACTED] wanted to set up a captive insurance company and asked ELLSWORTH if he had any contacts in this regard. ELLSWORTH contacted [REDACTED] who told ELLSWORTH that they would be able to set up a captive insurance company for them. As a result, a company called IRI was set up by [REDACTED] with ELLSWORTH and another individual by the name of [REDACTED] being on the Board of Directors. According to ELLSWORTH, [REDACTED] heeded ELLSWORTH and [REDACTED] from the U.S. to act as intermediaries.

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Investigation on 12/16/87 at Los Angeles, California File # LA 196A-4834-27

by SAs [REDACTED] and [REDACTED] Date dictated 12/18/87

Continuation of interview of JOHN ELLSWORTH, Page 2

ELLSWORTH stated that BUSICORP SARL initially issued surety bonds to CAC to cover CAC investments. ELLSWORTH stated that initially BUSICORP was the sole insurance entity used to issue these surety bonds. BUSICORP SARL subsequently became BUSICORP SA. ELLSWORTH distinguished the SARL and SA in that SARL would be considered a limited partnership and the SA would be considered a corporation. ELLSWORTH stated that [] and [] explained all the insurance business to [] with ELLSWORTH present. At one point, [] wanted to move the IRI REINSURANCE to Liechtenstein. As a result of this, [] subsequently set up IRI REINSURANCE with [] and ELLSWORTH on the Board of Directors. At this point, ELLSWORTH was shown an IRI REINSURANCE interest and principal surety bond regarding CAC series 3050C/3050I. ELLSWORTH stated that the signatures on these were the signatures of ELLSWORTH and [] an attorney for CAC. ELLSWORTH stated that he signed the surety bond based upon representations of [] that the insurance represented on the bond was actually in place. ELLSWORTH stated that he absolutely had nothing to do with the actual obtaining of any insurance for CAC.

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ELLSWORTH stated that BUSICORP and IRI went into liquidation and that the \$300,000 that was furnished BUSICORP by CAC through [] was not furnished to ELLSWORTH. ELLSWORTH stated that CAC paid approximately \$600,000 in premiums to BUSICORP and IRI regarding CAC insurance. ELLSWORTH stated that he was only a nominee of BUSICORP and IRI and that he refused to sign the liquidation papers as he did not understand the reason for the liquidation.

ELLSWORTH stated that he and [] signed [] and [] signatures on several occasions on BUSICORP and IRI documents with the authorization of []

ELLSWORTH stated that it was his intention to purchase CAC by using funds from overseas sources. All during this period of time, loans were furnished to ELLSWORTH corporations up through 1987. According to ELLSWORTH, the CAC offering circulars explained that CAC was exempt from registration with the SEC.

ELLSWORTH stated that the corporations under his control paid back approximately \$1.2 million of the \$11.8 million in funds loaned to his entities by CAC. ELLSWORTH stated he was further not aware of any insurance being issued by either BUSICORP or IRI after the liquidation.

U.S. COAL was placed in a Chapter 11 by ELLSWORTH solely for the purpose to protect U.S. COAL from the depletion of assets by the State of California injunction. According

LA 196A-4834

Continuation of interview of JOHN ELLSWORTH, Page 3

to ELLSWORTH, U.S. COAL will be out of a Chapter 11 by February of 1988. U.S. COAL received approximately a \$1.5 million loan from CAC. [] was never an officer of U.S. COAL.

ELLSWORTH went on to state that real estate held by DESERT MARVEL, another entity controlled by ELLSWORTH, owns enough property to pay off all loans furnished his entities by CAC which total about \$11.5 million. ELLSWORTH went on to state that DESERT MARVEL furnished a deed of property to be used as collateral for insurance for all of CAC loans on the books. ELLSWORTH stated that this property was either the TURNER RANCH or the RIVERSIDE RANCH and that these deeds were furnished to []. According to ELLSWORTH, [] gave representations in writing that insurance was in place for all of CAC loans that needed to be insured prior to and after 1985.

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Sometime during the fall of 1987, a \$1 million check signed by a [] was furnished to CAC as partial payment for funds loaned to ELLSWORTH entities. [] was to furnish cash and property in return for a 50 percent interest of U.S. COAL. According to ELLSWORTH, [] wanted the \$1 million for the U.S. COAL loans from CAC. [] furnished this \$1 million check to CAC from an account [] had in Belgium. ELLSWORTH stated that he was a signatory on this account since [] and ELLSWORTH decided that if U.S. COAL was to purchase equipment, any check would require the two signatures. ELLSWORTH stated he received no money from this account.

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ELLSWORTH stated that he had nothing to do with any purchases by [] of properties purchased by []

According to ELLSWORTH, all the entities controlled by ELLSWORTH had minor cash flows, and most of the funds loaned to the ELLSWORTH entities occurred prior to [] requesting ELLSWORTH to aid them in searching for insurance for the CAC loans.

ELLSWORTH stated that none of the loans to any entities controlled by him are presently in default, as the notes are not yet due.

ELLSWORTH did state that he received loans from CAC prior to other loans of ELLSWORTH entities being paid off. This was due to the fact that each of the projects would be judged separately and would not be contingent upon the failure or success of any of the other prior projects.

LA 196A-4834

Continuation of interview of JOHN ELLSWORTH, Page 4*

ELLSWORTH was shown a letter dated April 27, 1986, addressed to [redacted] of UNITED SECURITY TRUST. ELLSWORTH stated that the signature on that document is ELLSWORTH's. ELLSWORTH was also shown a letter dated October 7, 1986, on IRI REINSURANCE stationery to [redacted] ELLSWORTH stated that the signature on that particular document is also ELLSWORTH's. ELLSWORTH was also shown a copy of a supplemental agreement made June 18, 1985, between BUSICORP SARL of Luxembourg, DESERT MARVEL ESTATES, LIMITED, and JOHN C. ELLSWORTH. ELLSWORTH stated that the signature on that document was also ELLSWORTH's.

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ELLSWORTH stated that he would be more than happy to further discuss his association with CAC, BUSICORP and IRI. He would gather all the documentation he has regarding his transactions with these corporations and furnish them to the FBI and to further discuss in detail the contents of the documents.

ELLSWORTH stated that his date of birth is April 10, 1946; place of birth, New York City; residence, 5659 Holyoke, Hollywood, California, telephone 213-469-6903. ELLSWORTH has no driver's license issued to him.

IRI RE - INSURANCE FOR INTERNATIONAL BUSINESS LTD.

12 CENTURE DES ROSIERS
HOWALD, LUXEMBOURG
TELEPHONE: 49 31 97

INTEREST AND PRINCIPAL SURETY BOND

TRUSTEE: UNITED SECURITY TRUST COMPANY

INTEREST: 11.125% per annum DATE: 12/5/87

NOTES: Commercial Acceptance Corporation Series 3050c/3050I

Bond Number: 8890

Deposit Premium US\$12,500.00

TERM: Three Years - 31/5/90

Premium Period 3 years subject to clauses and
condition as per bond agreement

FACE AMOUNT: US\$2,500,000.00

forming an integral part of this document.

KNOW ALL MEN BY THESE PRESENTS, for consideration received that IRI, a Luxembourg corporation ("Guarantor") as Guarantor for Commercial Acceptance Corporation ("Principal"), is held and firmly bound unto above named Trustee and unto the Holders under a Collateral Trust Agreement, ("Trust Agreement"), between the Principal and the Trustee relating to the Notes (as that term is described in the "Trust Agreement"), and to its successors of the Notes from time to time, for that portion of the principal and interest on the Notes which shall become due for payment and the obligations to maintain the Interest Reserve Base Account in the Interest Reserve Account (as both of these terms are described in the Trust Agreement), but shall be unpaid by reason of Nonpayment by the Principal.

Upon the happening or continuance of Nonpayment by the Principal, the Guarantor shall remedy such Nonpayment by making payments on or before the time periods specified in the Trust Agreement to the Trustee of the principal and/or interest of the Notes or to the Interest Reserve Account as described in the Trust Agreement upon written demand by Trustee to the Guarantor.

In the event there shall be no Trustee then acting under the Trust Agreement the Guarantor shall make payments directly to the Noteholders or any protective committee or committees established in their behalf. Upon such payment, the Guarantor shall be subrogated, to the extent provided by Law or the Trust Agreement, to all the rights and remedies of the Trustee or the Holders of the Notes, as the case may be, as to which such payments have been made.

As used herein, the following terms shall have the meaning indicated: the term "Holder" shall mean any person other than the Issuer who at the time of Nonpayment is the registered owner of a Note; the term "Due for Payment," when referring to the principal of the Notes; shall mean the date when the stated maturity date has been reached or such earlier date on which payment is due by reason of a call for redemption, acceleration, or other advancement of maturity, as provided for in the Notes, and when referring to interest on the Notes shall mean the stated date for payment of interest; and the term "Nonpayment" shall mean the failure of the Principal to have provided sufficient funds to the Trustee for payment in full of all principal and interest on the notes which are Due for Payment or to have provided sufficient funds to the Trustee for Payment in full of the amounts required to maintain the Interest Reserve Base Amount.

This Guarantee is effective upon payment of the above stated premium and is noncancellable for any reason, including without limitation, the voluntary or involuntary commencement or maintenance of bankruptcy, reorganization or insolvency proceedings, assignment for the benefit of creditors by, for or against the Principal; or any negligent misrepresentation or omission made by the Principal with reference to the issuance of this Guarantee.

Further, the Trustee, or in the event there shall be no Trustee, the Holders or any committee or committees acting on their behalf, shall have the right under this agreement to proceed directly against the Guarantor hereunder provided the Principal has gone into liquidation, commencement or maintenance of bankruptcy, reorganization or insolvency proceedings.

The Guarantor warrants that a Re-Insurance treaty is in force with ESC.SA. on behalf of a Re-Insurance pool comprising 30 International Re-Insurance companies all of whom are rated Internationally Triple A which would be equivalent to the American AM Best rating of A+ 12 or better.

The Guarantor further warrants that upon written request, information on the members of the pool will be made available.


Managing Director


Managing Director

BGL 30-249 940-05

Luxembourg, le

April 22, 1986

[redacted]
United Security Trust
1123 Chapala
Santa Barbara, California 93121

Dear [redacted]

As per our conversation of the 21st of April, we wish to restate the following information:

Our firm is a Luxembourg Corporation who presently is engaged in Insurance Industry Financial Community transaction Internationally.

Our corporation is completing its re-capitalization and anticipates being able within the next 60 days to provide with the necessary details of our insurance treaties.

The members of the Reinsurance Consortium will all be comparable in stature to Moody's or Standards & Poors Triple A Rated in as much as the AM Best Rating does not apply in Europe.

As I told you, within the next three months we will be issuing a report which we are sure in our opinion you will find to be very satisfactory.

Very truly yours,


John C. Ellsworth

[redacted]

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IRI RE - Insurance For International Business Ltd.

AEULESTRASSE 5 FL-9490 VADUZ

P.O.B. 83

Telefon: (075) 2 34 34

Telefon: (075) 2 76 34

Telex: 77871 TUVFL

October 7, 1986



**Commercial Acceptance Corporation
411 West 7th Street #700
Los Angeles, Ca. 90014**

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Dear



We are pleased to inform you that the Re-Insurance Pool has been renewed and in force to cover present and future principal and interest guarantee bonds for present CAC pools and or commercial paper.

In addition, bonding for both investment pools and commercial paper is available as per your forecasted requirements for both one, two and three year investment pools and various forms of commercial paper.

ESC, S.A. are the managers of our Re-Insurance. The Re-Insurance pool established for us, to accomodate the various CAC programs, comprises a total of 49 international companies all of whom are listed on the International Stock Exchange and whose ratings are Triple A by International standards. We should note that the ratings and standings of these companies are equivalent to your American AM Best A + 12 rating or better.

The collective assets of the 49 members of the pool at present are in excess of fifteen billion U.S. dollars.

At present the companies in the pool for Re-Insurance are as follows:

1. Unillife-Mc Millian Trust, London, England
2. Zurich S.A., Switzerland
3. La Baloese, S.A.
4. Swiss AM-Cypress S.A. representing Swiss Re-Insurance
5. P.S. Belgium
6. A.G. Belgium

(continued)

IRI RE - Insurance For International Business Ltd.

AEULESTRASSE 5 FL-9490 VADUZ

International Re-Insurance
October 7, 1986
continued from page 1.

P.O.B. 83
Telefon: (075) 2 34 34
Telefon: (075) 2 76 34
Telex: 77871 TUVFL

7. Wintherthur S.A.-Switzerland
8. U.A.P.S.A., France
9. V.I.T.A.S.A., Switzerland
10. Equity and Law G.B., London, England
11. Commercial Union Group G.B., London England
12. Federated Mutual Insurance G.B., London England
13. M.A.G.M. Group G.B., London England
14. Merchants Investors Assurance G.B., London England
15. London and Manchester, London, England
16. Scottish Amiable Investments S.A. Scotland
17. Royal Guardian Exchange G.B., London, England
18. Eagle Star G.B., London England
19. L.A.S. Group G.B., London England
20. Fidelity G.B., London, England

Nine additional companies are a pool of Netherlands companies whose details will be forwarded to you under separate cover, in addition, any requirements for surplus coverage has been made with a group of nineteen major brokerage firms, an example of which is Sedwidge.

Within the next 10 days you will receive the annual reports of the companies aforementioned.

The treaty between our Company and arranged by ESC, S.A. is in effect and being recorded with the necessary legal authorities as required. We will forward to you a copy of the fully executed treaty with the various endorsements and governmental recordings seals.

Very truly yours,

[Redacted Signature]

Attorney-in-Fact

[Redacted Signature]

Acknowledged by ESC, S.A.

③ [Redacted Signature]

*Identify
Signatures*

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1 - Addressee

① - Los Angeles (196A-4834) (WCC-1)

(2)

196A-4834-28

SEARCHED.....	INDEXED.....
SERIALIZED.....	FILED.....
JAN 11 1988	
FBI -- LOS ANGELES	

[Signature]

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U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No. LA 196A-4834

11000 Wilshire Boulevard
Los Angeles, California 90024

December 30, 1987

Honorable Robert C. Bonner
United States Attorney
1200 United States Courthouse
312 North Spring Street
Los Angeles, California 90012

Attention:
Assistant United States Attorney

RE: JOHN ELLSWORTH, ET AL;
dba COMMERCIAL ACCEPTANCE CORP. (CAC),
Los Angeles, California

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Dear Mr. Bonner:

This letter will confirm a conversation between Special Agent (SA) and Assistant United States Attorney (AUSA) on November 17, 1987, during which the following information was presented.

On November 17, 1987, the California Department of Corporations has alleged securities fraud in a suit against CAC, 10 other firms and 20 individuals. The main defendant in the case is a John Ellsworth who has previously plead guilty to possession of a forged document and grand larceny in New York. The suit alleges that Ellsworth and CAC borrowed some 23 million dollars of investor funds obtained from about 400 pension and profit sharing entities. The investor funds were supposedly to be backed by adequate collateral with a promised attractive rate of return. Department of Corporations information indicates possible fraud in that the funds were apparently utilized by Ellsworth et al at the expense of the investors. The fraud involves possible Mail Fraud, Fraud by Wire, and ITSP violations.

AUSA [] stated that he would process subpoenas until such time as it would be necessary to assign an AUSA to the case.

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Very truly yours,

RICHARD T. BRETZING
Special Agent in Charge

By,

[]
Supervisory Special Agent

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

Date: 12-2-87
Edition:

Title:

Character:
or

Classification:

LA Times

CAC, et al

1964-4834

★ Wednesday, December 2, 1987 / Part IV 3

Court Takes Over Investment Firm

Receiver Will Handle Assets of Commercial Acceptance

By AL DELUGACH, Times Staff Writer

Citing evidence of fraud, a Los Angeles Superior Court judge appointed a receiver Tuesday to take over all assets of Commercial Acceptance Corp., its top officers and a key associate.

The corporate assets are to be handled for the protection of some 400 retirement plans that invested an estimated \$60 million in supposedly insured securities of the Los Angeles entity. The company, in turn, lent the money to other businesses. The state Department of Corporations recently alleged in a lawsuit that the bulk of the money went to individuals allied with the firm.

A statement by an Arizona man was sufficient itself to grant Department of Corporations attorney Melinda Brun's motion for a receivership, said Judge Jerry K. Fields, adding: "Not only that, the court probably will call the district attorney."

He did not elaborate on the comment, which raised the subject of a potential criminal investigation.

Dennis E. Wagner, of Glendale, Ariz., who also is a defendant in the state suit, had signed the statement that said he kicked back large sums of money and signed over a 75% interest in an Alaskan company to

co-defendants. He said that was in return for millions of dollars in loans from Commercial Acceptance.

Among the people to whom he gave money or signed over property, Wagner said, were several principal defendants in the state's securities fraud suit, Barry F. Gray, David A. Facciani and John C. Ellsworth.

Declaration Called 'Distorted'

In naming Los Angeles attorney David Ray as receiver over the personal assets of the three individuals, as well as of various companies, Fields said there was "plenty of evidence that they have received assets" of Commercial Acceptance.

Earlier Tuesday, Ellsworth told The Times that Wagner informed him by telephone from Arizona on Monday night that the information in his signed declaration was "distorted." Ellsworth said he recorded the conversation, and issued a transcription. In it, Wagner said his declaration was incorrect because it was not "in depth."

Ellsworth said he intends to sue Stephen P. Webb, attorney for a creditors' committee of the firm's investors, who prepared and filed the Wagner statement.

Among other things, Wagner denied saying that Ellsworth had threatened him. Wagner, a former business associate of Ellsworth, also agreed that Ellsworth had not arranged any loans for him from Commercial Acceptance, according to the transcript.

Defense attorney Joann Deutch told the court Tuesday of the tape recording, saying Wagner "categorically denies the contents" of his declaration. Judge Fields exclaimed skeptically, "Come on."

He then refused Deutch's offer to play the tape, telling her, "Get Mr. Wagner here." Deutch, who represents Commercial Acceptance as well as Gray and Facciani, said Wagner was in Arizona.

The judge asked Deutch to explain the supposed insurance policies on the investors' promissory notes from Commercial Acceptance. She conceded that "it may turn out there is no insurance" but said if that were so her clients must have been "duped" by someone.

Fields set a hearing for Dec. 22 on the state's request for an injunction.

Ellsworth himself was not in Fields' court Tuesday. He and his lawyer were at a hearing in U.S. Bankruptcy Court involving a defunct firm that he formerly headed.

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(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

Date: 12-30-87
Edition:

Title:

Character:

or
Classification:
Submitting Office:

Indexing:

Investment Company Accused of Running a Ponzi-Type Scam

By AL DELUGACH, Times Staff Writer

Commercial Acceptance Corp. agreed Tuesday to be placed under control of a bankruptcy trustee, and separately a state official said the company is under criminal investigation for its handling of about \$60 million of investments by area pension funds.

Melinda L. Brun, senior trial counsel for the California Department of Corporations, said that the U.S. Attorney's office agreed to take the case for possible criminal prosecution. Meanwhile, Brun submitted evidence to a state court alleging that Commercial Acceptance used a Ponzi-type scheme to defraud investors.

The Corporations Department lawyer told the Los Angeles County Superior Court that the investment company's records showed that it had used funds from new investors to pay interest as high as 12.75% on supposedly insured securities in the form of collateral trust notes and commercial paper notes.

Use of new investor funds to pay interest to prior investors is a common pattern of the so-called Ponzi scheme used in securities frauds.

Based on the evidence, Superior Court Judge Jerry K. Fields recently granted a preliminary injunction against the Los Angeles firm, its two top officers and a number of affiliates. He also confirmed appointment of David L. Ray as receiver for Commercial Acceptance.

Even though the company filed a Chap-

Please see LOAN, Page 4.

LOAN: Firm Investigated

Continued from Page 1

ter 11 proceeding under the federal bankruptcy code, Bankruptcy Judge Lisa Hill Fenning had allowed the state to proceed with the injunction action it had begun in mid-November.

During a brief hearing in bankruptcy court Tuesday, company representatives agreed to appointment of a trustee rather than to fight for a right to remain in control of the business during the Chapter 11 reorganization.

Fenning ordered the U.S. Trustee's office to appoint a trustee. She added that Ray, the appointed receiver, would be eligible for appointment as trustee.

In documents submitted recently to Superior Court, the state regulators said they had corroborated key information given them last month by Dennis Wagner of Glendale, Ariz., who said he borrowed \$10 million to \$14 million from Commercial Acceptance and kicked back large sums to its principals.

A review of Wagner's and other loan documents disclosed that interest payments due investors

were being made from investors' money rather than from repayments to Commercial Acceptance on loans it made with its capital, the state agency told the court. The funds used for paying interest were kept in a so-called interest reserve account, according to the filing.

Fields issued a preliminary injunction against two groups. One comprises Commercial Acceptance, its president, Barry Francis Gray, its chief financial officer, David A. Facefani, CAC Financial Group, HLS Enterprises and Seventh Street Investments. The other group includes John C. Ellsworth, Desert Marvel Ltd., Intervideo Ltd., Apple Valley Air Service, Oasis Entertainment Ltd., Slauson Tube & Steel Ltd. and Dennis Wagner Enterprises.

The injunction restrained them from "further violation" of state securities laws through offering or selling unqualified securities and by means of untrue statements or omissions of material facts.

The order put Ray in charge of all the assets of each of the individual and corporate defendants.

LA Times
12-30-87

(Indicate page, name of newspaper, city and state.)

(Mount Clipping in Space Below)

Date: 12-1-87
Edition:

Ed. Times

Title: AC, et al

Character: 196A-4834
orClassification:
Submitting Office:

Indexing:

196A-4834-38

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 22 1988	
FBI - LOS ANGELES	

FBI/DOJ

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Los Angeles Times

Hearing on Receivership Today**Ex-Client Alleges Investment Firm Loan Abuse**

By AL DELUGACH, Times Staff Writer

An Arizona man gave large sums of money and a 75% interest in an Alaskan business to the principals of Commercial Acceptance Corp. in return for not having to make payments on millions of dollars he borrowed, a judge was told Monday.

The written statement given to Los Angeles County Superior Court was signed by Dennis E. Wagner, one of 20 individuals associated with the Los Angeles firm who were accused Nov. 17 of misusing some \$60 million in pension plans covering thousands of workers. He came forward voluntarily, the court was told.

Wagner, of Glendale, Ariz., stat-

ed that his Alaskan enterprises borrowed \$10 million to \$14 million from Commercial Acceptance since 1982 on land of dubious value.

"None of these loans have been repaid and have been in default since they were made," his declaration added.

Stephen P. Webb, attorney for a large group of investors, submitted Wagner's declaration to Judge Jerry K. Fields. Webb joined Melinda Brun, senior counsel of the state Department of Corporations, in a plea for immediate appointment of a receiver. A hearing is set for today.

The lawyer told the court that "self-dealing sweetheart loans" by

Commercial Acceptance and co-defendants John C. Ellsworth, Barry Francis Gray and David A. Facciani, as well as other new evidence, "clearly establishes" fraud. His papers also warned of "imminent danger" that assets will be lost unless a receiver takes control.

Wagner said he believed that Ellsworth, previously identified to the court as an ex-convict, is the majority owner of Commercial Acceptance. (John W. D. Ellsworth, director of marketing with Shuman Orth & Co., an Irvine securities firm, said he has no connection with John C. Ellsworth.)

Gray was listed as president and

Facciani as chief financial officer. Wagner said made that assessment during conversations with the three men.

Wagner's declaration said his first loan from Commercial Acceptance was for \$500,000—ostensibly to pay for property that he bought for \$20,000. He complied with a condition that he in turn "reloan" \$160,000 of the proceeds to Gray, through another firm Gray headed.

He said he subsequently received other loans far in excess of the price of his land purchases, and in at least one instance was asked to make a payment by cash or personal check to Facciani.

Please see LOAN, Page 20

LOAN: Firm Has Not Produced Record of Insurance

Continued from Page 2

Wagner said he signed over 75% of the stock of one of his companies to Ellsworth, Gray and Facciani after receiving a \$3-million loan to buy unimproved land for \$2.7 million. He also signed over 25% to 50% of another firm to Ellsworth, he said.

Early this year, Wagner said in his declaration, he became suspicious of a Luxembourg entity set up last year by Ellsworth. Investors were told the firm, Busi-Corp., was insuring their investments in Commercial Acceptance.

An investigation abroad determined that it was "nothing more than a secretarial company," Wag-

ner said in the filing. He said he told this to Ellsworth, Gray and Facciani in a telephone call he made from Europe last February. He said they refused his request that they go to Europe to straighten out the matter.

In a subsequent telephone conversation placed by Ellsworth and a Michael Canata, "both of these gentlemen told me that if I did not drop my investigation 'something could happen to me or my family,'" Wagner said in the declaration.

He added: "I spent four months in Europe cooperating with the authorities regarding the activities that I have testified to in this declaration. Shortly thereafter, I

returned to the United States and have met with the Federal Bureau of Investigation and the Department of Corporations for the purpose of providing them with whatever assistance and information that I can."

Webb also told the court that evidence "overwhelmingly" suggests that there is no insurance. No indication of any has been produced since Commercial Acceptance began defaulting on interest payments to investors last July.

He also said that investors were never told that Gray was previously known as Byron Gray and that

he had filed bankruptcy papers in 1981.

The court files disclose many lawsuits filed against Ellsworth, Gray, Commercial Acceptance and others, Webb told the court.

He presented documents to show that as recently as last January, an Ellsworth-controlled firm was found in contempt of court for violating a restraining order. Further, he said, an order to show cause is pending in U.S. District Court against Ellsworth on grounds that he violated a court order by transferring funds to affiliated entities.

(Mount Clipping in Space Below)

LA Times 11-18-87 Bus.

State Suit Names Property Broker in Wide Abuses

Commercial Acceptance Corp. Accused of Pension Fund Borrowing Fraud

By AL DELUGACH, Times Staff Writer

California securities regulators Tuesday filed a civil suit alleging wide-ranging abuses involving some \$60 million borrowed by a so-called personal property broker from about 400 pension and profit-sharing funds of companies and individuals.

The Corporations Department alleged securities fraud against the broker, Commercial Acceptance Corp., and 10 other firms and 20 individuals. State investigators found no identification on the firm's office doors in a downtown Los Angeles building at 411 West 7th St.

Among the individual defendants is John C. Ellsworth, who pleaded guilty in New York twice to grand larceny and once to possession of a forged document, according to the suit.

The pension and profit-sharing funds had made their investments on the understanding that the money would be used to make insured loans that were backed by adequate collateral in the form of personal property. The investors were also presumably promised an attractive rate of return.

Ellsworth-controlled firms allegedly borrowed \$23 million of the investors' funds. At the same time, Ellsworth headed up "alleged" European insurance carriers that purported to insure the investments, the suit said. However, the state said, no evidence of insurance was found.

Allegations about the central defendant, Commercial Acceptance, included:

- It lent another \$20 million of the "insured" funds to other defendant firms, including those headed by Commercial Acceptance's president, Barry Francis

Please see SUIT, Page 6

(Indicate page, name of newspaper, city and state.)

Date: 11-18-87
Edition:

Title: CAC, et al

Character: 196A-4834
or
Classification:
Submitting Office:

Indexing:

0, 2

196A-4834-31

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 22 1988	
FBI - LOS ANGELES	

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SUIT: Property Broker Named by State

Continued from Page 1

Gray, and its chief financial officer, David A. Facciani.

- The Corporations Department could not establish that the firm had even the minimum net worth of \$25,000 required of personal property brokers by state law.

- As of Nov. 10, Commercial Acceptance was in default on more than \$15 million in loans and interest payments.

- Some key records were missing and the rest poorly kept, the suit said.

- The firm was frequently overdrawn at its bank, a condition that was not reflected on its own records.

- Instead of personal property, the collateral on the company's loans to defendants was of various types, some involving "great risk." This category included \$1.5 million in promissory notes to Ellsworth from a Saudi Arabian prince who was not named. It also included an airplane, a ship and a helicopter, which the suit said could be "easily removed from jurisdiction of the court."

- An Ellsworth-controlled firm, U.S. Coal, identified as a borrower from Commercial Acceptance, and other defendant firms also are located at 411 West Seventh. A lawyer for Commercial Acceptance has offices at U.S. Coal, and it "appears that personnel from one defendant corporation may perform work for other and different defendant corporations."

The 45-page suit did not name the firms and individuals whose pension and profit-sharing funds are invested with Commercial Acceptance.

'Lot of Mistakes'

Melinda Brun, senior trial counsel for the Corporations Department, said a hearing on her request for a restraining order and the appointment of a receiver would be held today in Los Angeles County Superior Court, where the suit was filed. The complaint seeks to tie up the assets of the defendants and to prevent alteration or removal of records.

President Gray of Commercial Acceptance, asked late Tuesday about the suit, said he had just been served a copy and would confer with his attorney before commenting. However, he said that he had read the first page and, "I see a lot of mistakes."

An attorney for one investor, Stephen J. Webb, said creditors are to meet today to form an official

creditors' committee. He noted that his client first became aware of a problem when the administrator of his pension plan failed to receive payment on notes due June 30.

In recent weeks, investors have held two meetings, Webb said. At the latest one, on Nov. 4, he said Gray and Ellsworth assured investors that their funds were insured. He said the trustee for the investors' funds, United Security Trust of Santa Barbara, received information recently that the supposed insurers were dissolved last year and the funds went to Ellsworth.

Edith Erdmann, a bookkeeper for RRB Consultants Inc., Van Nuys, an investor, told The Times that one corporate pension fund represented on an investors' committee has \$4 million invested.

Some of the plans cover hundreds of employees, the state's lawsuit said.

\$1-Million Check

Up to 90% of the funds obtained from the pension and profit-sharing plans are "loaned" to "borrowers" composed of the defendant groups, the complaint said. It added that Commercial Acceptance issued collateral trust notes to investors who "are supposedly investing in blind loan pools administered by an independent trust company" for the purpose of funding personal property loans.

"In fact," it continued, "the notes are issued by [Commercial Acceptance] directly to each investor."

The suit also said Commercial Acceptance received and deposited a \$1-million check drawn on Ellsworth's account at a Belgian bank, Crédit du Nord Belge N.V., that later was returned for "insufficient funds." But Commercial Acceptance records still show the check as having cleared, the complaint said.

In addition, it said, the same Belgian bank returned unpaid to the investors' trust five drafts totaling \$1,375,000 that had been sent by Ellsworth to Commercial Acceptance and forwarded to the

trust. Dates of these transactions were not stated in the suit.

The complaint alleged that Commercial Acceptance and several related individuals violated state regulations concerning keeping of records by a finance company.

Among other things, the suit said, there were at least 10 loan files in which no collateral can be identified. Further, no loan files were found to contain loan repayment records, and loan applications are "largely missing or incomplete" on files relating to the defendants, the suit said.

Also, it alleged, investors were not told that the company was not foreclosing on properties that collateralized the loans to defendants.

Memorandum



To : SAC, LOS ANGELES (196A-4834) (WCC-1) (P) Date 1/21/88

From : SA [REDACTED]

Subject : COMMERCIAL ACCEPTANCE CORP. (CAC);
ET AL
FBW, MF, ITSP
OO: LOS ANGELES

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On 1/13/88, the writer met with [REDACTED] of the UNITED STATES DEPARTMENT OF LABOR, Pension and Welfare Benefits Administration, 3660 Wilshire Boulevard, Suite 718, Los Angeles, California. The DEPARTMENT OF LABOR is interested in conducting a joint investigation with the FEDERAL BUREAU OF INVESTIGATION (FBI) regarding COMMERCIAL ACCEPTANCE CORPORATION (CAC) as it applies to Title 18 USC Sections 664 and 1954 (investment of pension funds). The DEPARTMENT OF LABOR would be able to furnish expertise regarding Federal criminal violations of fraudulent pension fund activities.

On 1/13/88, Assistant United States Attorney, [REDACTED] posed no objection to this proposal and placed the name of [REDACTED] on the 6E order regarding CAC Federal Grand Jury material which would allow [REDACTED] to view any Federal Grand Jury material regarding the case. In addition, the DEPARTMENT OF LABOR investigators will have access to the FBI files regarding CAC.

2 - Bureau
2 - Los Angeles

[REDACTED]
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ASAC [REDACTED]

196A-4834-32

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 22 1988	
FBI - LOS ANGELES	

[REDACTED]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/26/88

On January 15, 1988, the following documents were received via the U.S. Mails from [REDACTED]

1) Letter to SA [REDACTED] dated January 13, 1988.

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[REDACTED]

Investigation on 1/15/88 at Los Angeles, California File # LA 196A-4834-33

by SA [REDACTED] Date dictated 1/20/88

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/28/88

On January 13, 1988, [REDACTED]

[REDACTED]
[REDACTED] served with a Federal Grand Jury Subpoena to view [REDACTED]
in the possession of the receiver.

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On January 26, 1988, these documents were returned
before the Federal Grand Jury, Los Angeles, California. SA
[REDACTED] and U.S. Department of Labor Investigator [REDACTED]
[REDACTED] were designated custodians of the documents.

CLAUDE
PERSUNEXHIBIT ONLY
Crim. P.Investigation on 1/13/88 at Los Angeles, California File # LA 196A-4834-34by SA [REDACTED] Date dictated 1/26/88b6
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Pto
1-281

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/30/87

On [redacted]

[redacted] was furnished a briefcase equipped with a nagra recording device for the purpose of consensually monitoring conversations with JOHN ELLSWORTH. [redacted]

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[redacted] took possession of the recording device and transported it to the Los Angeles office. [redacted] executed FD-473 prior to the monitoring.

Investigation on 11/24/87 at Los Angeles, California File # LA 196A-4834-35

by SA [redacted] Date dictated 11/25/87

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/12/88

On January 5, 1988, JOHN ELLSWORTH telephonically contacted SA [] to advise that he is in the process of gathering documentation regarding COMMERCIAL ACCEPTANCE CORPORATION (CAC) loans to his various business entities. ELLSWORTH further stated he has spoken with [] who is willing to talk to the FBI. The documentation should be ready by Monday, January 11, 1988.

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Investigation on 1/5/88 at Los Angeles, California File # LA 196A-4834 - 36
by SA [] Date dictated 1/8/88

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/12/88

On January 4, 1988, the following documents were received via the U.S. mails from [redacted]
[redacted]

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- 1) Letter to SA [redacted] from [redacted], dated December 17, 1987.
- 2) IRI reinsurance bond for CAC series 1078C 11078I.
- 3) American Fidelity Fire Insurance Company performance bond, dated September 17, 1984 with attached CAC financial statement.
- 4) American Fidelity Fire Insurance Company power of attorney, dated September 17, 1984.
- 5) Industrial Indemnity surety bond for CAC, dated October 15, 1983 with attached notary and power of attorney.

Investigation on 1/4/88 at Los Angeles, California File # LA 196A-4834-37

by SA [redacted] Date dictated 1/7/88

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/13/88

On January 7, 1988, [redacted]
telephonically contacted SA [redacted] and advised the
following:

[redacted]

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[redacted]

[redacted]

Investigation on 1/7/88 at Los Angeles, California File # LA 196A-4834-38

by SA [redacted] Date dictated 1/8/88

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1-26

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/21/88

On January 11, 1988, [] telephonically contacted SA [] to advise that [] was delayed and will furnish the [] [] on Wednesday, January 13, 1988 or shortly thereafter.

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Investigation on 1/11/88 at Los Angeles, California File # LA 196A-4834-39

by SA [] Date dictated 1/20/88

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/21/88

On January 12, 1988, [redacted] telephonically
contacted SA [redacted] to advise that he would be
sending [redacted]
[redacted]
[redacted]

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Investigation on 1/12/88 at Los Angeles, California File # LA 196A-4834-40by SA [redacted] Date dictated 1/20/88b6
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/21/88

On January 14, 1988, [redacted] telephonically
contacted SA [redacted] to advise that he has moved
to [redacted] telephone
number [redacted] (unlisted) *Anyong*

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Investigation on 1/14/88 at Los Angeles, California File # LA 196A-4834-41
by SA [redacted] Date dictated 1/20/88

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FEDERAL BUREAU OF INVESTIGATION

1/29/88

Date of transcription

On January 20, 1988, [REDACTED]

[REDACTED] telephones [REDACTED] and
[REDACTED] voluntarily appeared at the Los Angeles office
of the Federal Bureau of Investigation to furnish information
regarding [REDACTED]

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[REDACTED] After being advised of the identity of
the interviewing agent, [REDACTED] furnished the following information:

Sometime during 1984 and 1985, [REDACTED]

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Investigation on 1/20/88 at Los Angeles, California File # LA 196A-4834 - 42

by SA [REDACTED] Date dictated 1/20/88

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Continuation of FD-302 of [REDACTED]

LA 196A-4834 1/20/88 -3*-

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Sometime during November, 1987, [REDACTED] met with

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED] stated that he would gather all his documentation regarding [REDACTED] and furnish these to the FBI. [REDACTED] would further make note of any documents [REDACTED]

[REDACTED]

Memorandum



To : SAC, LOS ANGELES (196A-4834) (WCC-1) (P)

Date 1/28/88

From : SA [REDACTED]

Subject: COMMERCIAL ACCEPTANCE CORP. (CAC),
ET AL;
FBW; MF; ITSP;
OO: Los Angeles

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On 1/26/88, SA [REDACTED] and Department of Labor Investigator [REDACTED] met with AUSA [REDACTED] and AUSA [REDACTED] regarding CAC. It was mutually decided that the best initial approach to the case would be to schedule the flow of funds to and from CAC in an effort to determine if there was a Ponzi scheme regarding investor funds. A second element of the case would be to explore the representations made to CAC investor's regarding the existence of insurance for CAC loans. The majority of the fraud count victims will include those victims who invested pension and profit sharing funds with CAC in order to include Department of Labor pension and profit sharing criminal fraud violations.

[REDACTED]
(2)

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196A-4834-43

SEARCHED.....	INDEXED.....
SERIALIZED.....	FILED.....
FEB 03 1988	
FBI - LOS ANGELES	

[REDACTED]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/5/88

On January 29, 1988, the following documents were
received via the United States Mails from [redacted] who
received the documents from [redacted]

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- 2.
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- 11.
- 12.

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Investigation on January 29, 1988 at Los Angeles, California File # 196A-4834-44

by SA [redacted]

Date dictated _____

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 1/21/88

On January 8, 1988, SA [] telephonically contacted JOHN ELLSWORTH at telephone number (213) 469-6903. ELLSWORTH stated he was gathering documentation regarding his association with COMMERCIAL ACCEPTANCE CORP. (CAC). ELLSWORTH is also refinancing property held by his corporations to pay off the CAC loans. The documentation regarding the \$600,000 in premiums paid to BUSICORP/IRI for insurance on the loans would have to be furnished by CAC.

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Investigation on 1/8/88 at Los Angeles, California File # LA 196-4834-45
by SA [] Date dictated 1/20/88

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/1/88

On January 29, 1988, the following documents were
received via the U.S. Mails from [redacted]
[redacted]

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1) Letter to SA [redacted] dated January 22, 1988.

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Investigation on 1/29/88 at Los Angeles, California File # LA 196A-4834 46

by SA [redacted] Date dictated 1/29/88

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Memorandum



P

To : SAC, LOS ANGELES (196A-4834) (WCC-1) (P)

Date 2/1/88

From : SA [REDACTED]

Subject: COMMERCIAL ACCEPTANCE CORP. (ARC),
ET AL;
FBW; MF; ITSP;
OO: Los Angeles

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On 1/25,27,28/88, the writer reviewed CAC documents in the possession of the receiver located at the CAC offices, 411 W. 7th Street, Los Angeles, California.

On 1/28/88, the writer was contacted by Attorney [REDACTED] who is representing [REDACTED] was advised that [REDACTED] is considered a subject of the case but that it is too early in the investigation to consider any proffer by [REDACTED]

[REDACTED]
(2)

- 1* -

196A-4834-48

SEARCHED.....	INDEXED.....
SERIALIZED.....	FILED.....
FEB 01 1988	
FBI - LOS ANGELES	

[REDACTED]

1

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/8/88

On February 4, 1988, [redacted]
[redacted] telephone [redacted] was
interviewed regarding her knowledge and association with a firm
called COMMERCIAL ACCEPTANCE CORPORATION (CAC). After being
advised of the identity of the interviewing Agent and the nature
of the interview, [redacted] furnished the following information:

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[redacted]
[redacted] CAC was a firm located in
Los Angeles that would solicit pension funds from investors and
subsequently invest these funds with people and entities who had
strong real estate collateral. [redacted]
[redacted]

[redacted]
[redacted] for CAC, would assign
various pool numbers to the invested funds. These pools would
represent the amounts of money invested, the varying rates of
return, and the duration of the investment. The investor number
and the pool number would be the same, and the only one-to-one
matchup that was necessary would be the dollar matchup between
the investor and the borrower.

[redacted] stated that all of the investor funds would come
from a trust company which, during the latter stages of CAC, was
UNITED SECURITY TRUST, located in Santa Barbara, California. The
Trust Officer was a [redacted] UNITED SECURITY TRUST would
receive all the collateral documents before any funds were
released to CAC for subsequent investment. The collateral was
usually in the form of deeds of trust which were furnished to
UNITED SECURITY TRUST before the funds were released to CAC.

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[redacted]
but believes that all of the funds were placed into one account;
that account being the General Account. The loans would then be

Investigation on 2/4/88 at Los Angeles, California File # LA 196A-4834 ⁴⁹

by SA [redacted] Date dictated 2/5/88

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LA 196A-4834

Continuation of FD-302 of [REDACTED], On 2/4/88, Page - 2 -

dispersed from that account. All the loan aging and the paydowns would be handled by [REDACTED]. On occasion, [REDACTED] would receive requests for loan payoffs, but these requests would actually be handled officially by [REDACTED].

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Sometime during mid-1987, [REDACTED] stated that he wanted notices sent to borrowers for interest that was past due since several of the borrowers were late in their payments to CAC. According to [REDACTED] more borrowers were not paying the interest than were paying. [REDACTED]

[REDACTED] stated that [REDACTED] that some of the CAC employees did take out CAC loans. [REDACTED] was not aware of any unsecured loans or any instances where investor funds were furnished directly to CAC without first going through UNITED SECURITY TRUST.

[REDACTED] stated that she was of the impression that the investor funds were insured by a firm entitled BUSICORP/SARL, [REDACTED]

[REDACTED] It was [REDACTED] understanding through conversations with [REDACTED] that a JOHN ELLSWORTH, a principal of several firms which have received millions of dollars of loans from CAC, was actually involved in obtaining the insurance for CAC invested funds. [REDACTED] stated, however, she does not recall having any discussions with ELLSWORTH regarding the insurance. [REDACTED] does recall a conversation with [REDACTED] in which [REDACTED] hoped that the insurance was actually valid and in place. [REDACTED] does not recall discussing the insurance issue with [REDACTED]. She did recall that [REDACTED] had a file on BUSICORP.

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Regarding JOHN ELLSWORTH, [REDACTED] stated that ELLSWORTH had received large amounts of loans from CAC, and that ELLSWORTH had properties under his name and his entity's name which were used as collateral for the loans. [REDACTED] recalls that two of the companies controlled by ELLSWORTH were DESERT MARVEL and SULTANA HOLDINGS. [REDACTED] recalls that ELLSWORTH first became associated with CAC sometime around 1984 or maybe 1985.

LA 196A-4834

Continuation of FD-302 of [REDACTED], On 2/4/88, Page - 3* -

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[REDACTED] recalls that payoffs were made on CAC loans up until about June 30, 1987. Sometime during this period of time was when [REDACTED] gave instructions that past due notices should be sent to borrowers regarding the interest payments. [REDACTED] stated she was not aware of any discrepancies regarding the amounts of cash received by borrowers as it may have appeared on CAC book entries. To [REDACTED] knowledge the only source of CAC income came from interest payments from borrowers. [REDACTED] stated she was also unaware of any situation where loans were under collateralized in regards to [REDACTED] for the loans.

The interview was concluded with the result that [REDACTED] would be available for any further questions regarding specific CAC transactions.

1

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/12/88

On February 5, 1988, [redacted] furnished two mini
cassettes of a recorded conversation of [redacted]
[redacted] The meeting occurred on
[redacted] and was
recorded by [redacted]

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Investigation on 2/5/88 at Los Angeles, California File # LA 196A-4834
by SA [redacted] Date dictated 2/8/88

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FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS
Date 2/24/88

1 FM LOS ANGELES (196A-4834) (WCC-1) (P)

2 TO LEGAT, PARIS (196-0) ROUTINE

3 BUREAU ROUTINE

4 BT

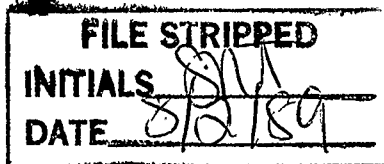
5 UNCLAS

6 DBA COMMERCIAL ACCEPTANCE CORPORATION
 7 (CAC), 411 W. 7TH STREET, LOS ANGELES, CALIFORNIA; JOHN C.
 8 ELLSWORTH, DBA DESERT MARVEL LTD., DENNIS WAGNER ENTERPRISES,
 9 INC., SULTANA HOLDINGS, U.S. COAL CORPORATION, LOS ANGELES,
 10 CALIFORNIA; BUSICORP SA, SARL; IRS REINSURANCE, LUXEMBOURG; FBW;
 11 MF; ITSP; OO: LOS ANGELES

12 RE LEGAT PARIS TELETYPE TO LOS ANGELES, DATED FEBRUARY 13,

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(1)



196A-4834-51

SEARCHED

INDEXED

SERIALIZED

FILED

Approved:

Transmitted

(Number)

(Time)

Per 74
74

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^PAGE TWO (196A-4834) UNCLAS

1987, CAPTIONED "COMMERCIAL ACCEPTANCE CORPORATION, FBW - INTERNATIONAL FRAUD".

FOR INFORMATION OF PARIS AND THE BUREAU, ON NOVEMBER 17, 1987, THE CALIFORNIA DEPARTMENT OF CORPORATIONS FILED A CIVIL SUIT AGAINST CAC AND ELLSWORTH ALLEGING FRAUD INVOLVING SOME 60 MILLION DOLLARS BORROWED BY ELLSWORTH AND OTHERS FROM PENSION AND PROFIT SHARING FUNDS OF COMPANIES AND INDIVIDUALS. ELLSWORTH HAS PREVIOUSLY BEEN CONVICTED FOR GRAND LARCENY IN NEW YORK AND BANK FRAUD AND EMBEZZLEMENT IN LOS ANGELES.

THE PENSION AND PROFIT SHARING FUNDS WERE INVESTED THROUGH CAC WITH AN ATTRACTIVE RATE OF RETURN WITH THE UNDERSTANDING THAT THE FUNDS WOULD BE USED TO MAKE INSURED LOANS THAT WOULD BE ADEQUATELY COLLATERALIZED IN THE FORM OF PERSONAL PROPERTY.

ELLSWORTH CONTROLLED FIRMS ALLEGEDLY HAVE BORROWED IN EXCESS OF \$20 MILLION FROM CAC. ELLSWORTH ALSO WAS INSTRUMENTAL IN THE FORMULATION OF BUSICORP AND IRI REINSURANCE IN LUXEMBOURG FOR THE PURPOSE OF "INSURING" CAC LOANS. AN [REDACTED] AND A [REDACTED] [REDACTED] ARE INVOLVED WITH BUSICORP AND IRI AND ARE RESIDENTS OF [REDACTED] [REDACTED] HAVE BEEN IN CONTACT WITH THE LOS ANGELES CASE AGENT VIA TELEPHONE PROCLAIMING THEIR INNOCENCE.

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^PAGE THREE (196A-4834) UNCLAS

BOTH CLAIM ELLSWORTH TO BE THE VILLAIN AND THAT [REDACTED]

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[REDACTED]

IT HAS ALSO BEEN ALLEGED THAT [REDACTED] OF CAC RECEIVED SIZABLE KICKBACKS IN RETURN FOR CAC LOANS. IT ALSO APPEARS THAT MUCH OF THE REAL ESTATE USED AS COLLATERAL IS UNDERCOLLATERALIZED AND OR USED AS COLLATERAL FOR MORE THAN ONE LOAN.

CAC IS PRESENTLY IN RECEIVERSHIP AND, AS PREVIOUSLY STATED, LOSSES TO INVESTORS MAY TOTAL 60 MILLION.

ELLSWORTH WAS INTERVIEWED BY BUREAU AGENTS ON DECEMBER 16, 1987. ELLSWORTH CLAIMED [REDACTED] REPRESENTED TO HIM THAT INSURANCE HAD BEEN OBTAINED FOR THE CAC LOANS AND THAT APPROXIMATELY \$600,000 IN PREMIUMS HAVE BEEN PAID TO BUSICORP/IRI. ELLSWORTH STATED THAT THE \$300,000 USED TO CAPITALIZE BUSICORP WAS NOT RETURNED TO HIM.

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INFORMATION HAS BEEN RECEIVED THROUGH LOS ANGELES ATTORNEY

[REDACTED] THAT THE LUXEMBOURG AUTHORITIES ARE CONDUCTING A

^PAGE FOUR (196A-4834) UNCLAS

CRIMINAL INVESTIGATION REGARDING [REDACTED]

FURNISHED THE NAME OF [REDACTED] SURETE PUBLIQUE,
SECTION ECONOMIQUE ET FINANCIERE, RUE AUGUSTE LUMIERE,
LUXEMBOURG, TELEPHONE 40919, EXTENSION [REDACTED] AS THE PERSON TO
CONTACT REGARDING THE INVESTIGATION. [REDACTED] INDICATED THAT

[REDACTED] HAS INFORMATION THAT [REDACTED] MAY HAVE USED SOME OR ALL OF
THE \$300,000 BUSICORP CAPITALIZATION FUNDS TO PURCHASE A HOME IN
THE NAME OF [REDACTED]

LEGAT, PARIS IS REQUESTED TO CONTACT [REDACTED] IN AN
EFFORT TO OBTAIN ANY INFORMATION AND DOCUMENTATION HE MAY HAVE
REGARDING [REDACTED] AND ANY OTHER INFORMATION REGARDING
CAPTIONED CASE. IF SO DESIRED LEGAT, PARIS IS REQUESTED TO
AUTHORIZE A DIRECT LINE OF COMMUNICATION BETWEEN LOS ANGELES CASE
AGENT, SPECIAL AGENT [REDACTED] AND [REDACTED]

BT

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/22/88

On February 18, 1988, [redacted] telephone [redacted] was interviewed regarding his knowledge and association with a firm entitled COMMERCIAL ACCEPTANCE CORPORATION (CAC). After being advised of the identity of the interviewing agent, [redacted] furnished the following information:

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[redacted] stated that he was [redacted] in approximately [redacted] of CAC. It was the understanding of [redacted] that CAC was in the business of soliciting investor funds and loaning these out to borrowers at a higher interest rate than the rate being furnished the investors. [redacted] stated that he was not involved in the mechanics of how investor funds were received and loaned out. [redacted]

To [redacted] knowledge, the only source of funds for CAC was through investors, and the only source of income for CAC would be the spread between the loan rate and the investment rate.

All CAC funds went into the general account and were dispersed from the general account. According to [redacted] all investor funds were initially paid to the trustee, in this case UNITED SECURITY TRUST of Santa Barbara, California. After all the correct documentation was received by the trustee, these funds would be furnished to CAC for subsequent dispersal to borrowers. [redacted] however, was not aware of how the actual mechanics of the investor/loan relationship worked.

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[redacted] that some of the borrowers were not paying interest and, as a result, interest paid to investors were in reality paid by funds received from subsequent investors. Sometime during [redacted] these loan balances were building up and that either the borrowers were not paying off the interest or the principal or that CAC was loaning more funds to the borrowers. [redacted] did not respond to this. As a result, [redacted] stated that the loan balances kept increasing.

Investigation on 2/18/88 at Los Angeles, California File # LA 196A-4834 - 52

by SA [redacted] Date dictated 2/19/88

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LA 196A-4834

Continuation of FD-302 of [REDACTED]

, On 2/18/88, Page 2

[REDACTED] understanding was that the notes issued through CAC were insured through a firm entitled BUSICORP and was so stated on the investor notes. [REDACTED] however, was not involved in any of the insurance transactions regarding CAC.

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[REDACTED] was not aware of any officer or employee drawdowns on borrower accounts. [REDACTED] was also not aware of any lines of credit furnished borrowers, kickbacks paid to CAC employees, or discrepancies in loan collateral.

[REDACTED] received a [REDACTED] monthly salary plus expenses. Salespersons were paid via salary and commission. [REDACTED] was paid approximately [REDACTED] per month including expenses and benefits.

Sometime during 1986, [REDACTED] broke his collar bone and, thereafter, [REDACTED] dealt with [REDACTED]. According to [REDACTED] received approximately [REDACTED] per month in salary from CAC.

CAC also issued commercial paper through investor funds not processed through UNITED SECURITY TRUST. These funds were deposited into the general account and dispersed to the borrowers from this general account. [REDACTED] understanding was that the commercial paper arrangements would pay interest only to the investors and the principal was paid when the commercial note matured.

[REDACTED] commented that it was not his job to question the mechanics of the CAC operation. As a result of this, he did not discuss in detail discrepancies he may have noted in CAC policy with [REDACTED]

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During [REDACTED] he met an individual by the name of JOHN ELSWORTH whose offices were physically located one floor from CAC. [REDACTED] however, was not aware of ELSWORTH's involvement with CAC until after the California Department of Corporations filed an injunction against CAC.

Most of the commercial paper and the handling of checks were handled by [REDACTED]
[REDACTED]

LA 196A-4834

Continuation of FD-302 of

[REDACTED]

, On 2/18/88, Page 3

The interview was concluded with the understanding that [REDACTED] would be available for any further questions regarding the specific transactions involving CAC.

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FEDERAL BUREAU OF INVESTIGATION

3/9/88

Date of transcription

On March 1, 1988, [redacted]
[redacted] telephone [redacted] was interviewed
regarding his association with a firm entitled Commercial Acceptance
Corporation (CA). After being advised of the identity of the
interviewing agent [redacted] furnished the following information:

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[redacted] stated that his background is in [redacted]
[redacted]
[redacted] first met a [redacted] of CAC and sometime later met [redacted]
[redacted] of CAC. At the time [redacted]
[redacted] had offices located at [redacted]
[redacted] Prior to leaving [redacted]
[redacted] met [redacted]
[redacted] of CAC, who introduced him to an individual by the name of
JOHN ELLSWORTH sometime in 1985. [redacted] stated that ELLSWORTH
was an expert in forming companies.

Sometime during February of 1986, [redacted] persuaded
[redacted]
[redacted] During this period of time CAC
had leased the 7th through the 9th floors of 411 West 7th Street.
ELLSWORTH supposedly leased the 8th floor which was subletted
from CAC. [redacted] does not now if ELLSWORTH actually paid rent
on that location. Sometime during this period of time, [redacted]
learned that ELLSWORTH was a borrower of CAC.

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[redacted] knew that CAC was in the business of obtaining
investor funds and loaning these to borrowers but did not know
of the exact mechanics involved with the loan process. [redacted]
stated he [redacted]
[redacted]

Sometime during 1986, [redacted] met [redacted] who
was also a borrower of CAC. [redacted] recalls that [redacted] told
him that [redacted] owed him money due to a loan made from
[redacted] also
recalls that [redacted] an employee of CAC also mentioned

Investigation on 3/1/88 at Los Angeles, California File # La 196B-4834 -53
by SA [redacted] Date dictated 3/2/88

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Continuation of FD-302 of [REDACTED] LA 196B-4834 3/1/88 - 2 - , Page [REDACTED]

this to [REDACTED]

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[REDACTED] was aware that many loans were made to ELLSWORTH but that these loans were not being paid off. He further recalls conversations with people in CAC wondering why other loans were made to ELLSWORTH when he was not paying off the initial loans. [REDACTED] stated that he [REDACTED]

[REDACTED] does recall ELLSWORTH stating that he owns stock in CAC. ELLSWORTH was elected as a director of CAC along with a individual with the last name of [REDACTED] (phonetic) sometime during 1987. [REDACTED] Of CAC was made Vice President of marketing during the same period of time and was also aware that ELLSWORTH was made a Director of CAC.

[REDACTED] stated that he had a conversation with [REDACTED] regarding ELLSWORTH being a Director. [REDACTED] supposedly said that ELLSWORTH being a Director [REDACTED]

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Sometime during [REDACTED] met an individual with the last name of [REDACTED] and another individual from Europe who supposedly wrote insurance bonds insuring CAC notes. [REDACTED] however does not recall who told him that [REDACTED] and this other individual were the insurers.

[REDACTED] stated that during [REDACTED] [REDACTED] 7th Street was a company created by CAC as a holding company to hold title to foreclosed property due to borrower defaults on CAC loans.

Continuation of FD-302 of [redacted] LA 196B-4834 3/1/88 - 3* - , Page [redacted] b6
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Sometime prior to [redacted]
[redacted] had the opportunity to buy a company called Alpha Steel sometime in 1982 or 1983. [redacted] decided to call it Hughes Steel and Tube. [redacted] stated that [redacted]

[redacted]
[redacted] was a consultant for Hughes Steel. CAC made subsequent loans to Hughes Steel and Tube. Sometime later JOHN ELLSWORTH took over Hughes Steel as Hughes Steel was going through bankruptcy. After the bankruptcy proceedings, CAC took possession of the Hughes equipment. ELLSWORTH took over payments for the Hughes note under the firm Slauson Tube, a company controlled by ELLSWORTH.

[redacted] stated that he [redacted]
[redacted] stated that he told [redacted] that this land was not worth the appraisals indicated. [redacted] told [redacted] that he was obviously under-estimating the value and did not understand land values.

[redacted] stated that he was not aware of any kickbacks being made to principals of CAC from borrowers regarding CAC loans.

The interview was concluded with the stipulation that [redacted] would be available to furnish any subsequent information regarding his association with CAC.